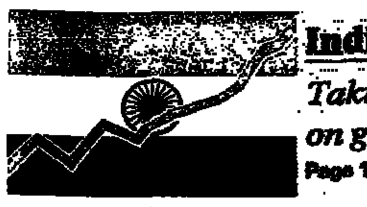

Indian economy

Taking a gamble on growth

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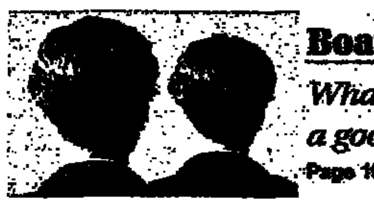

Boardroom skills

What it takes to be a good director

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Managing waste

Politics runs ahead of science

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Bane or benefit?

Hormone treated milk stirs up a storm

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FINANCIAL TIMES

Europe's Business Newspaper | WEDNESDAY MARCH 2 1994 | D8523A

PLO sees collapse of talks if Israeli withdrawal delayed

The Middle East peace process could collapse if Israel does not begin its withdrawal from Gaza and Jericho in April as originally planned, a senior member of the Palestine Liberation Organisation warned. The assessment came as Israel began freeing 500 Palestinian prisoners in an attempt to win back the PLO to peace talks after Friday's Hebron mosque massacre. PLO leaders said that chairman Yassir Arafat (above) would have to stay away from direct peace talks with Israel for at least a fortnight to assuage Palestinian outrage at the killings. Page 16; Editorial Comment, Page 15

Japan's slide may be ending: Japan could be near the bottom of its protracted recession, the central bank said. Business confidence has ceased to weaken and the bank expected the climate to improve. Page 16

Brussels positive on Groupe Bull plan: European competition commissioner Karel Van Miert, said he was "impressed" by an outline restructuring and privatisation plan for Groupe Bull, the lossmaking French computer group. Page 17

Setback for Canadian separatists: Canadian separatist Parti Québécois suffered its first by-election loss in five years, losing the largely French-speaking Shefford constituency near Montreal to the ruling Liberal party. Page 5

Russian accused of spying for UK: Russia arrested an armaments official it accused of supplying military and economic information to the UK. Page 3

Protection for EU film industry urged: European cultural commissioner João de Deus Pinheiro called for greater protection of the European film industry to counter the power of big Hollywood studios. Page 6

Clinton accused over aircraft sales: French aerospace leaders accused US president Bill Clinton of intervening unfairly to sell $6bn worth of US civil aircraft to Saudia Arabia. Page 6

Wimpey sets up Kazakhstan office: Wimpey says it is the first UK construction group to establish a permanent office in Kazakhstan, the oil-rich former Soviet republic. Page 6

Profits up 25% at Abbey: UK banking group Abbey National announced a 25 per cent increase in pre-tax profits for 1993 to £704m ($1.03bn) and the board recommended an increase in the full-year dividend of 22 per cent to 14p per share. Page 18; Lex, Page 16

General Accident, highly-rated composite insurer, bolstered recovery in the UK general insurance market by posting annual pre-tax profits of £294.9m ($430.6m) compared with a loss of £29.3m in 1992. Page 18; Lex, Page 16

Telecoms push Nokia into profit: Finnish telecommunications group Nokia reported annual pre-tax profits of FM1.15bn ($209m), compared with a FM158m loss in 1992, due to high growth in its mobile and fixed telephone divisions. Page 17

Westland dismisses GKN bid: Westland, Britain's sole helicopter manufacturer, dismissed GKN's £496m ($724m) hostile takeover bid, accusing the engineering and industrial services group of making an "absurdly low offer". Page 17; Lex, Page 16

UK car production reaches 20-year high: British car production reached its highest level since 1974 last year, with Rover overtaking Ford as the UK's largest carmaker for the first time in more than a decade. Page 8

Minister scorns claims over aid: Allegations that Britain's overseas aid programme was linked to arms deals with several countries were dismissed as "absolute nonsense" by foreign office minister of state Alastair Goodlad. Page 8

UK civil service reforms attacked: A report on Britain's civil service, commissioned by public services minister William Waldegrave, says the creation of agencies to deliver government services has led to fragmentation and accuses Whitehall departments of interfering excessively in the day-to-day management of agencies. Page 7

■ STOCK MARKET INDICES		
FT-SE 100:	3,270.6	(-57.5)
Yield	3.67	
FT-SE Eurotrack 100	1,431.16	(-25.27)
FT-SE-A All-Share	1,653.13	(-1.3%)
Nikkei	20,216.61	(+219.42)
New York: lunchtime		
Dow Jones Ind Ave	3,797.97	(-34.05)
S&P Composite	463.53	(-3.61)
■ US LUNCHTIME RATES		
Federal Funds:	3⅞%	
3-mo Treas Bills: Yld	3.549%	
Long Bond	93⅝	
Yield	6.746%	
■ LONDON MONEY		
3-mo Interbank	5⅜	(same)
Liffe long gilt future:	Mar 111 22/32	(Mar 113½)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Apr)	$13.525	(13.55)
■ Gold		
New York Comex (Apr)	$379.4	(382.5)
London	$381.3	(381.8)

■ STERLING		
New York lunchtime:		
$	1.4875	
London:		
$	1.486	(1.4861)
DM	2.5395	(2.5366)
FFr	8.6414	(8.6244)
SFr	2.1354	(2.1225)
Y	155.348	(154.777)
£ Index	80.7	(80.6)
■ DOLLAR		
New York lunchtime:		
DM	1.70975	
FFr	5.81775	
SFr	1.43695	
Y	104.61	
London:		
DM	1.709	(1.7069)
FFr	5.8152	(5.8034)
SFr	1.437	(1.4282)
Y	104.615	(104.150)
$ Index	66.3	(66.1)
Tokyo close Y 104.92		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KS50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£30.00
France	FFr9.00	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

Unexpected increase in economic expansion marred by sharp price rises

US inflation scare hits markets

By Jurek Martin in Washington, Patrick Harverson in New York and John Pitt and Terry Byland in London

International bond and stock markets fell heavily yesterday after a closely watched US economic index showed sharp price increases at the manufacturing level.

At the same time, the US government reported that gross domestic product in the final quarter of last year rose at a revised real annual rate of 7.5 per cent, far above the 5.9 per cent preliminary estimate and the largest quarterly expansion since the first three months of 1984.

The bond market, however, was far more influenced by the price data from the National Association of Purchasing Managers monthly survey. Although its composite index fell only slightly to 56.6 per cent from 57.7 per cent in January, indicating continued healthy expansion, the association's price index surged to 67 per cent from 59.8 per cent the previous month.

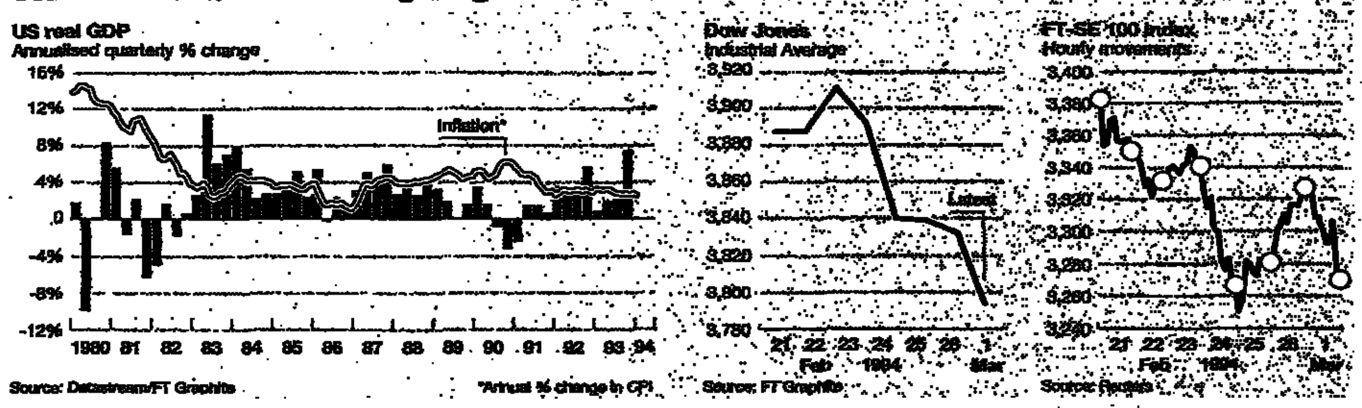
Renewed inflation fears left the US benchmark 30-year bond down more than a full point by early afternoon, with the yield rising to 6.75 per cent. European bond markets fell sharply on the back of the US sell-off.

New York traders said investors were selling bonds because they believed any sign of resurgent inflation would increase the likelihood of another monetary policy tightening by the Federal Reserve. The US central bank last tightened policy by pushing up short-term interest rates on February 4.

The selling in the bond market spread to the stock market, where investors were equally perturbed by the prospect of another Fed rate rise. At one stage the Dow Jones Industrial Average was down more than 40 points, but by 1pm it had recovered some ground, and was down 36.02 at 3,796.00.

The setback in bond markets drove share prices lower in London in an effective rerun of Thursday's rout. The FT-SE Index closed at the lowest point of the day, down 57.5 at 3,270.6.

Some don't like it hot: strong US growth and inflation fears hit the markets



■ Lex Page 16
■ Government bonds Page 21
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Trading volume in the stock market remained fairly moderate, however, and the pressure again focused on stock index futures.

Continental equity markets were also heavily marked down after the US data was released, with the CAC-40 index in Paris retreating more than 2 per cent and the German Dax index of leading shares sliding 1 per cent during official hours and another 2 per cent in after-hours trading.

The revised US GDP figures brought real annual growth to 3 per cent in 1993, the best since the 3.9 per cent of 1988. More than half of the upward revision was accounted for by exports, which grew at a 20.5 per cent annual rate in the quarter and outstripped the recalculated 16.2 per cent expansion in imports.

The overall thrust of the Purchasing Managers survey was also bullish. The report noted in particular that "the strength in new orders strongly suggests future continued growth, but very likely at a lower, more sustainable level." Increases in prices, it said, were "primarily in products whose prices were severely depressed," such as aluminium, brass, copper, nickel and zinc.

Of the component parts of the index, both new orders and the backlog in orders grew in February, but at a lower rate than in January. New export orders rose to the highest level in 4¼ years, while import orders also grew, but at a lower rate than in the previous month. Supplier deliveries were at the highest level since June, 1988, indicating strong demand from manufacturers.

The government's GDP report for the final quarter also showed broad-based strength, with low inflation (a 1.3 per cent annual rate growth in the implicit price deflator).

ANC and Inkatha agree on elections

By Patti Waldmeir in Durban

South Africa's two black political rivals last night stepped back from the brink of violent conflict when Mr Nelson Mandela, African National Congress leader, persuaded Zulu Chief Mangosuthu Buthelezi to register his Inkatha party for the first all-race elections in April.

Speaking after more than eight hours of talks with the ANC leader at a Durban hotel, Chief Buthelezi stressed that his party's decision to register did not guarantee its participation in the April 27 elections.

Inkatha would register only "provisionally" – a final decision on participation would depend on the outcome of international mediation of South Africa's constitutional dispute.

The ANC last night agreed to such mediation in principle, though no details were agreed about the identity of the mediating parties or whether mediation would be binding.

Asked whether Inkatha was closer to participating in the election after the meeting than before it, Chief Buthelezi replied: "Not at all." But he stressed that Inkatha would participate if its constitutional demands were met. His decision to allow Inkatha's name to be printed on ballot papers is also likely to have a psychological effect on polling.

The intervention of Mr Mandela, who has not previously been involved in face-to-face constitutional talks with Inkatha leaders, appeared to have made it possible to avert an immediate start to a violent boycott campaign by Inkatha.

After weeks of public acrimony, the accord holds out at least the hope that a constitutional settlement will include Inkatha, a party with a strong following among the Zulus, who number 9m out of the country's 38m population.

The two men made a show of friendship. Emerging from 45 minutes of private talks before the general session began, they held hands and posed smiling for the cameras. After the day-long session, they addressed a joint press conference and deferred to one another politely in answer-

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Norway and Austria hold out despite German pressure to reach a compromise

Sweden, Finland agree terms to join EU

By David Gardner in Brussels and Hugh Carnegy in Stockholm

Sweden and Finland yesterday agreed terms to join the European Union after five days and three nights of arduous talks, raising hopes that Austria would also settle its membership negotiations last night.

In the wake of this breakthrough, there were even hopes that Norway could last night make enough headway to enable a final decision by Oslo when EU foreign ministers meet in Brussels on Monday.

Sweden started the bandwagon rolling following the near-collapse of the talks as dawn broke. By lunchtime, under strong German pressure on its partners to get an enlargement deal done, the Swedes had settled.

Sweden's membership terms were welcomed by all the main government and opposition parties and business organisations.

"On all points the EU has taken into account our interests," declared Mr Carl Bildt, prime minister. "In most areas we have reached a good or a very good result," said Mr Ingvar Carlsson, leader of the opposition Social Democratic party.

But opponents of Swedish membership, who are currently ahead of the Yes camp in the opinion polls, served notice that they would campaign hard against joining the EU in a referendum due later this year. The accession agreement "means we cannot preserve our neutrality and that we accept the EU's economic policy," said Mr Hans Lindquist, leader of the No to Europe organisation.

Mr Esko Aho, Finnish prime minister, was more restrained than Mr Bildt. He said the deal "is of course not such a one that we aimed at ... but if the details of the agreement prove to be such as we assume I do not find it impossible to live with this agreement".

The breakthrough came after the EU agreed to phase in Swedish contributions to the Brussels budget. The Union raised the value of the sweeteners it offered all four applicants from Ecu2.8bn to Ecu3.6bn ($3.96bn) over four years, mostly to cushion the impact of the immediate cut in applicant countries' farm prices to EU levels. There was strong resistance to this deal for the rich newcomers, who will not now make significant net contributions to the EU budget until the end of this transition period.

The prospect of at least a 15-member Union depends not only on referendums to take place in all four applicant countries, but on the current 12 member states' ability to resolve an internal row over how to adjust voting rules to accommodate the newcomers.

Senior EU officials said last night that telephone contacts were taking place between Chancellor Helmut Kohl of Germany, President François Mitterrand of France and Mr Felipe González, Spanish prime minister, in an effort to resolve this dispute, which could hold up the newcomers' planned entry next January.

In the shorter term, Austria last night needed Union blessing to continue restricting pollution-generating EU trucks using its Alpine passes until 2004.

Norway was still refusing to concede Spain's demands for some access to its fish, or accept French-led demands for restrictions on its fish products entering the single market.

Cash carries the day, Page 2

Wellcome's patents on Aids drug face challenge in Europe

By Peter Wise in Lisbon, Bernard Simon in Toronto and Daniel Green in London

Wellcome's patents on its second best-selling drug, the Aids treatment AZT, are likely to face a direct challenge in Europe next month when a Portuguese company launches a Canadian-made version.

Farma APS Productos Farmaceuticos has been authorised by the Portuguese government to market Apo-Zidovudine, a form of AZT manufactured by Apotex, Canada's biggest generic drug maker.

It would be priced 15 to 20 per cent lower than Wellcome's product and would be on the market by April, said Mr Augusto Paiva dos Santos, Farma APS director-general. The move could set a precedent as Wellcome fights to defend patents on Retrovir, its version of AZT, in several countries.

The UK company has been in a series of patent disputes with companies, including Apotex, over the right to sell AZT. So far, Wellcome has been victorious in the US, and has actions outstanding in Canada and France.

Apotex said yesterday that "we're moving aggressively all over the world". Portugal is the first European country to register Apo-Zidovudine, but the product is already on sale in some Canadian provinces, as well as in Senegal, South Africa and Brazil among other countries.

Retrovir sales were worth £248m in 1993, and Mr Paiva dos Santos said Portuguese sales last year were more than Es500m ($2.9m). His company plans to compete with Retrovir to supply AZT to Portuguese hospitals.

Wellcome's main patents on Retrovir run out in 2005 but the company may be vulnerable in Portugal because of its patent laws. Wellcome has a local patent on the manufacturing process, but had not been able to patent the material itself. This implies that to prove its patent had been infringed it would have to show that Apotex's product was manufactured by a patented process, which could be more complicated than simply showing that the end product was chemically identical.

Farma APS said it might export the drug to other European Union countries and did not foresee any legal difficulties.

Wellcome said yesterday: "We will challenge breaches of our patent and hope that Portugal, as a member of the European Union, will respect intellectual property rights."

Croats and Moslems edge closer to alliance

By George Graham in Washington, Leyla Boulton in Moscow and Laura Silber in Belgrade

Washington and Moscow yesterday pushed forward the Bosnian peace process after Croats and Moslems in the republic edged closer towards creating a new alliance, and Bosnian Serbs agreed to open Tuzla airport for relief flights.

After four days of talks in Washington, Bosnian Croats and Moslems reached preliminary agreement on establishing a confederation in western Bosnia.

In Moscow Mr Andrei Kozyrev, the Russian foreign minister, managed to persuade Mr Radovan Karadzic, leader of the Bosnian Serbs, to allow Tuzla airport to be placed under United Nations supervision, making it easier to transport aid.

Discussions in Washington between Mr Mate Granic, the Croatian foreign minister, Mr Haris Silajdzic, the Bosnian prime minister, and Mr Kresimir Zubak, leader of the Bosnian Croats, have centred on a US pro-

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'New primitives' drive Serb professionals abroad, Page 2

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هكذا من الاصل

EU sees price for aligning policies

By Lionel Barber in Brussels

European Union member states could achieve nominal convergence in inflation and interest rates by 1996, and in budget deficits by 1998, according to a "scenario" published yesterday by the European Commission.

Its report on the European economy in the year 2000 gives a variety of possible outcomes based on different policy assumptions.

However, the Commission warns that even a gradual path to "convergence" would require moderate wage increases, tough budget policies, and a recognition that unemployment would only start falling in 1996. The jobless rate would still be 7.5 per cent in the year 2000.

A more radical approach to labour market flexibility – including a reduction in employers' social security contributions for low-wage earners – could cut unemployment faster, according to the Commission.

Thus the average growth of employment could be 2 per cent, associated with GDP growth of 3.5 per cent. Assuming that real wage costs per head remained one point below productivity, at about 0.5 per cent per year, the unemployment rate could fall to 4.5 per cent by the end of the decade.

"This favourable scenario, appealing as it might be, implies very stringent requirements for public policies and private behaviour, together with the need for strong co-ordination at the Community level," the paper says.

If member states pursue a "do nothing policy" and drop efforts to achieve convergence, they risk social tensions and a return to "beggar-thy-neighbour" policies. The EU would be "plunged into the deeply divergent conditions that prevailed 20 years ago" after the first oil crisis shock, "but with a worse social situation".

● Mr Gordon Brown, UK shadow chancellor of the exchequer, called yesterday for a new European recovery fund to finance job-creation projects, investment and training. Without putting a price tag on the new fund, Mr Brown said it would bolster EU-wide efforts to tackle the next recession.

Mr Jacques Delors, president of the European Commission, was sympathetic to the idea.

David Gardner reports from Brussels on how extra EU money broke the logjam

Cash carries the day in enlargement talks

The European Union showed endearing consistency yesterday in the way it broke the logjam after five days of gruelling talks on entry terms for Sweden, Finland, Austria and Norway.

True to past form, when faced with a choice between the four candidates' problems about money and their difficulties over principle, the EU headed straight for the money.

At midday yesterday, following the near collapse of the talks around dawn, the Swedes settled for a substantial extra financial consideration which gives them, and to a lesser extent the other applicants, a rebate on their EU budgetary contributions in the first three years of membership.

All told, the rich newcomers will get Ecu3.6bn (£2.7bn) in 1995-98 to cushion the instant alignment of their higher farm prices with EU levels, which the Union insisted on. Not until the end of this period, therefore, will they contribute the net Ecu1.7bn to the EU budget foreseen before this last round of talks – a figure itself less than half original estimates.

The Swedes, in fact, face no wrenching adjustment of their agriculture regime, since their farm prices are similar to the EU's. What they won was a budget rebate disguised as a farm adjustment payment (worth up to Ecu2bn in the first three years) and in the tradition of the contentious UK rebate won 10 years ago by Mrs Margaret Thatcher.

"Sometimes it pays to be stubborn," remarked a Swedish negotiator with quiet satisfaction. The Swedes had been accused of being boneheadedly stubborn over their budget contributions, not only by the EU but by their Nordic neighbours. But they clearly knew whom they were dealing with.

By settling with the Swedes on money, the Union hopes it has "front-loaded a bandwagon", as one EU negotiator put it, on which the other three applicants were yesterday trying to clamber.

By early yesterday evening Finland settled too, for a deal that looked as though it declared the entire country an Arctic region eligible for special agriculture support. During the night the Union had all but conceded, but carefully camouflaged this in a way politically and culturally unacceptable to the very straightforward Finns. "There is a little bit of mist in it and they don't like that," acknowledged Mr Piet Dankert, the Dutch European affairs minister.

Austria was due next, on the brink of a formula conceding its demand for restrictions on EU trucks transiting its Alpine passes.

The bandwagon effect was such that even Norway, the most obdurate candidate, whose ministers left the talks at dawn expecting to try again with EU foreign ministers next Monday, returned to the negotiations.

Not every EU member state was delighted by the fiscally-induced breakthrough. The Spanish, French and Dutch thought the applicants were being alowed to get away with highway robbery. They and others criticised the current Greek president of the EU Council, Mr Theodoros Pangalos, for running a bazaar, and Germany for behaving more like the applicants' lawyer than an EU member.

But as the chaotic talks headed for the rocks early this morning, Mr Pangalos refused to admit defeat, Mr Jacques Delors, European Commission president, appeared like a *deus ex machina* with an extra Ecu750m to provide more incentives for the applicants, and Mr Klaus Kinkel, German foreign minister, seized control of the negotiations.

"Germany played a very crucial role," a senior Swedish negotiator acknowledged. For instance, the Germans worked hard to satisfy the Finns by ridding their agriculture text of the normal Euro-ambiguities which so appal the literal-minded Nordics, while keeping it – just – within Euro-rules.

In a rather bolder move, Germany locked up Norwegian and Spanish negotiators to argue about fish, presumably hoping to endorse the views of whoever came out alive. Spain wants 14,000 tonnes of cod or equivalent from Norway's richly endowed and carefully husbanded waters. Oslo, as one Spanish negotiator put it, is sticking to its "NASF [not a single fish] formula. They won't give an inch."

There was, last night, undeniable momentum at last behind the EU's drive to embrace the Nordic and Alpine candidates and begin the drive for a "wider Europe".

The risk remained, however, that Austria and Norway in particular would continue to play hard-to-get in view of the EU's obvious eagerness to bring them in.

Sweden's finance minister Anne Wibble and European affairs minister Ulf Dinkelspiel in Brussels yesterday AP

Swedish and Finnish PMs set for battles on the home front

By Hugh Carnegy in Stockholm

Comparing Sweden's accession agreement to its nail-biting capture of the Olympic ice hockey gold medal on Sunday may have been stretching a point for most hockey-mad Swedes. But Mr Carl Bildt, prime minister, was unabashed in celebrating the country's "most important international agreement of the century".

The 44-year-old leader of the conservative Moderate party has made getting traditionally neutral, aloof Sweden into the EU a central platform of his right-centre coalition since it came to power in 1991, alongside his aim of liberalising the huge state sector economy.

Agreement on membership terms is also an important political victory for Mr Esko Aho, 39-year-old Finnish prime minister from the Centre party and leader of a similarly-comprised coalition.

But both men know there remains a long way to go to secure approval in referendums promised in both countries that will decide if they can join the EU on January 1 next year as scheduled.

First the young prime ministers will be hoping their Nordic fellow applicant, Norway, will also come on board, as a Norwegian decision to stay out would undoubtedly stiffen the already strong Swedish and Finnish anti-EU camps.

Then, both Mr Bildt and Mr Aho have to decide when to schedule referendums. Mr Aho, whose own rurally-based party is split on the issue, favours the autumn to give time to win over doubters.

Like Mr Aho, Mr Bildt has vital support from the opposition Social Democratic party, which originally lodged Sweden's EU application. But he and Mr Ingvar Carlsson, the SD leader, are set to tangle over the referendum date.

With the latest Swedish opinion polls showing previously strong No support shrinking to 42 per cent, and the Yes vote rising sharply to 35 per cent, Mr Bildt is keen to hold the vote in June or on general election day in September. The Social Democrats, however, want to wait until the autumn believing they need more time to win over strong opposition to membership from within party ranks.

This poses a real dilemma for Mr Bildt. Conventional wisdom dictates that a Yes majority is impossible without a powerful SD Yes campaign. The best conditions for a Yes vote may come if the Social Democrats, currently leading in the polls, win power in September and hold the referendum in October or November. But that is hardly an appealing scenario for Mr Bildt.

'New primitives' drive Serb professionals abroad

Kerin Hope on those who cannot abide the profiteers and extremists

From ballerinas and basketball players to electronics experts and surgeons, the rump Yugoslavia's professional class is being decimated by emigration.

While no official figures are available, more than 100,000 Serbs are believed to have left the country since the collapse of the Yugoslav federation, many of them young men avoiding conscription.

"What's most disturbing is that those leaving are middle class people whose skills and ideas will be crucial to rebuilding the country once UN sanctions are lifted," says Mr Ratomir Tanic of the Civil Alliance, a democratic opposition party.

South Africa and Zimbabwe, where immigration regulations are comparatively relaxed, have attracted the largest numbers of Serbian emigrants. Getting to Canada and the US, where there are well-established expatriate communities from the former Yugoslavia, is more difficult except for students, say would-be migrants.

Most young migrants are university students, but some Serbian parents are spending their hard currency savings to send teenaged children abroad to finish their secondary education under exchange programmes which have not been affected by the UN embargo.

"School in Belgrade is getting impossible. You can't get there because the buses aren't running; kids mess around in class because they don't see any future in studying and the teachers can't handle it. I want to get out," says Ms Ljubica Petrovic, 16, who hopes to finish high school in Canada.

Yet just before Yugoslavia broke apart, prospects for professionals had rarely looked brighter, under a short-lived reformist government that tried to promote private business, fiscal modernisation and the restructuring of the banking system.

However, the impact of UN sanctions has been almost as devastating for the fledgling private sector as for large state enterprises, where managers' responsibilities have virtually disappeared as exports halted and workers were sent home on "technical leave".

Hyper-inflation in Serbia and Montenegro eroded savings and forced families to sell their assets to finance their children's studies abroad, at the same time removing any incentive for private investment.

The government's new economic programme, which imposes much higher taxes on private businesses, is expected to drive more people away.

"I don't think there's any understanding of what small entrepreneurs have been trying to do to keep things running despite sanctions," says Mrs Mirjana Blagojevic, a travel agent who used to work for JAT, the former Yugoslav national carrier. "The new taxes will wipe out practically all my profit margin and may send me into retirement abroad."

The increasing influence of what Belgrade's professional class calls the "new primitives", the profiteers making money out of sanctions-breaking and the war in Bosnia and the self-avowed nationalists who have taken senior jobs in the public administration, has also speeded up the exodus.

"Whether it's the universities, the medical system or the media, there's no pretence of jobs on merit any more. They mostly go to people close to the socialists [of President Slobodan Milosevic]," Mr Tanic says. "In business, we're moving towards a Latin American situation of powerful criminal groups effectively controlling the economy."

The rump Yugoslavia's isolation has already affected the quality of medical services, for example, although drugs and medical supplies are exempt from sanctions.

The Child Heart Foundation, set up in Belgrade two years ago to carry out open-heart surgery, is struggling to survive. Its founder, Dr Vladimir Hrujak, says two members of his team have found jobs abroad, while funding has been cut.

"It's a battle to keep going, professionally. In this branch of medicine you need to keep in close touch with what's happening abroad and I can't do that any longer. I might be able to get a medical job somewhere abroad, but I wouldn't be doing heart operations any longer," Dr Hrujak says.

Czechs and Slovaks win praise for their progress

By Patrick Blum in Vienna

Sixty years ago Czechoslovakia was among Europe's leading industrial nations. Today the Czech Republic, as the more developed of the two parts of the former Czechoslovak federation, ranks about equal with the European Union's two poorest members in terms of gross domestic product per capita, according to a report on the Czech and Slovak republics by the Organisation for Economic Co-operation and Development.

There is perhaps no more telling statistic for four and half decades of communist management, and debilitating waves of migration that began before the Second World War and ended only with the "velvet revolution" of 1989. The split of the federation on January 1, 1993, further reduced the economic and political stature of its constituent republics.

The whole was greater than the sum of its parts, and both have had to adjust to living separately.

The OECD report shows both countries suffered from the split, though adjustment costs have been far heavier for Slovakia than for the Czechs.

The Czech Republic, with its more diversified industrial base and economy, and close proximity to western markets, adapted more easily, though it has yet to pull out of recession. Slovakia, with its dependence on heavy industry and armaments aimed at eastern markets, was doubly hit by the collapse of its trading partners in the former Comecon trade bloc, and the loss of financial transfers from the federation. It has also had to build an administration almost from scratch.

Nevertheless, both have made considerable progress in their transition to market economies, the OECD says.

The report praises the Czech Republic for its reforms. Macroeconomic stability has been maintained with underlying inflation at around 10 per cent and "lower than in any other post-communist economy in transition"; the state budget is practically balanced and the current account is in surplus.

Output has continued to stagnate, but the economy appears "set to start on a path of slow expansion in 1994, that may accelerate in 1995". Growth is forecast at 2 per cent this year and 5 per cent in 1995, with exports rising 10 per cent. But, it warns, "the transition is far from complete, and much potentially disruptive restructuring remains to be done". The reintroduction of wage controls in July was a step backwards. Unemployment may double to 8 per cent this year.

The OECD is more cautious about Slovakia, though it argues that the economy is already showing a number of positive features. The private sector accounts for 35-40 per cent of economic activity, and government debt is low compared with that in other eastern European and some OECD countries.

But immediate prospects are poor. A decline in aggregate output of 5 per cent last year is likely to be followed by stagnation this year, with growth of 2 per cent only resuming in 1995. Unemployment is set to rise to 18 per cent of the workforce this year, and inflation will fall only slowly from 25 per cent in 1993 to 20 per cent this year.

The budget deficit is likely to remain at around 5 per cent of GDP, and limited domestic financial resources make reducing the deficit more urgent.

Expenditure on arms production and defence should be reduced.

Political uncertainty has deterred foreign investment, says the report, which urges the government to develop a coherent set of policies for stabilisation and structural reform. Some of the report's statistics compiled before the end of 1993 are already out of date but the main trends remain in place, and as the first comprehensive study of the two countries since they went their separate ways the OECD has usefully begun the job of clearing the air about the real state of the two economies.

Spielberg soothes German angst

By Christopher Parkes in Frankfurt

If Steven Spielberg had directed *Schindler's List* when he bought the rights to Thomas Keneally's book in 1982, two weeks after the US opening of *ET*, it would have been a movie not a film, he said yesterday.

As things turned out, it became a document "rich in incident and information", or even "a Holocaust Museum at 24 frames a second". And if it is a success by his personal reckoning, and educates people (a financial bonanza goes without saying) "then this picture is a public service".

Speaking hours before last night's German premiere, he could not but be aware that it was already having such an effect. The face of the main character, the un-saintly Oskar Schindler, had two weeks earlier appeared on the front cover of the mass-circulation news magazine Der Spiegel, with the cover-line, "The Good German".

It came as a mild relief to a country recently confronted with vile images of neo-Nazis burning out and killing refugees, defacing Jewish cemeteries, and reviving notions worldwide that "the ugly German" was the sole and true representative of the nation.

Awareness has since spread that the Jewish-American box-office king, with a history as a specialist in the ludicrously sentimental, had presented a work, harsh, true and uncompromising, but free of caricature and cliché.

Speaking in the home town of Oskar Schindler, the libertine National Socialist party member and industrialist who saved more than 1,000 Jews from death in wartime German extermination camps, Mr Spielberg reminded his audience of mainly German and central European journalists that last year 60 per cent of US school children had not heard the word "holocaust".

The same cannot be said of German youth, but it won him warm applause from journalists who have already taken up the public service cause with a vengeance. A front page editorial in the influential Frankfurter Allgemeine Zeitung said yesterday the "profoundly unideological" work had a chance to reach an audience far wider than the "selected public" usually reached by "often very important documentaries".

Mr Spielberg, who watched it again last night in the presence of President Richard von Weizsäcker, was himself inspired to start work by film and videotape images transmitted relentlessly out of Bosnia.

He was still putting the finishing touches to another blockbuster movie, *Jurassic Park*. "But when I first heard the words 'ethnic cleansing', it shattered me and I decided to rush into production," he said.

He braced himself for the realities of filming in Auschwitz, arriving with "a chip on my shoulder" and spent four months at work in "a cemetery". His children learnt how to speak Polish and eat herring. He himself eventually learnt to speak civilly to young German actors in Nazi uniforms, and he heard from them that the work in progress was "the best thing that could happen to their generation".

He could not say if Germany was ready to face the past, as he was asked by a young journalist last night. He could not say why more Jews did not resist being driven to the "asphyxiation rooms". Perhaps these were subjects for future films. "This is about education, awareness and consciousness. . . . and I hope it is not the end of motion pictures about the Shoah," he said.

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EUROPEAN NEWS DIGEST

Russian accused of giving defence secrets to UK

Russia yesterday announced it had arrested a Russian armaments official for passing on defence secrets to Britain, writes **Leyla Boulton from Moscow.**

The Itar-Tass news agency said an unnamed Russian citizen had "on assignment of British intelligence for monetary reward ... collected and handed over information of a secret military and economic nature".

It said he had been supplied with invisible writing materials and means of secretly supplying information to intelligence agents at the British embassy in Moscow.

A Russian security official later identified the arrested man as the manager of a state-owned company called Special Machine Building and Metallurgy, which specialises in military armour and artillery. Itar-Tass said the man was arrested on January 15 and charged on January 25, with "high treason in the form of espionage".

● Only two days after promising western financial institutions that it remained wedded to financial austerity, the Russian government was yesterday arguing over whether to pump trillions of roubles into ailing coal mines as a panacea for problems which its radical predecessors had vowed to tackle by freeing coal prices and restructuring the industry. Mr Victor Chernomyrdin, the prime minister, also ordered new subsidies for young children and single mothers and spending increases on Russian officials and new consulates in former Soviet republics.

Action by German public workers

German public sector workers yesterday stepped up a nationwide campaign of disruption, while the IG Metall engineering union said it was confident of securing backing for a full strike next week, **Reuter reports from Frankfurt.** In both sectors workers have been angered by management calls for a wage freeze and benefit cuts against a backdrop of recession. The public employee protests have hit transport systems, hospitals, kindergartens and waste collection in large cities across Germany. Meanwhile, Mr Jürgen Peters, head of the IG Metall union in the north German state of Lower Saxony, said he was confident 100,000 engineering workers voting this week would decide overwhelmingly in favour of a strike. The first vote showed an 80 per cent turnout rate, IG Metall said, with a 75 per cent majority of votes needed for a strike. Government officials have talks set with the OTV public sector union for next week, but no talks are in prospect between the two sides in the engineering dispute.

Turkish lira continues to fall

Turkey's currency crisis deepened yesterday, with the lira losing a further 7.8 per cent, following the official 12 per cent devaluation in January, writes **John Murray Brown from Ankara.** The central bank dollar rate of TL21,550, compared with a devaluation rate of TL17,250, is putting the economy under increased strain. A sharp increase in overnight interest rates, up to 200 per cent on Monday, has not slowed the depreciation and with reserves down 25 per cent since the start of the year, there is little room available for bank intervention. On February 18 reserves stood at $4.6bn (£3.15bn) compared with $7.7bn on December 30. The crisis was sparked by the growing public deficit and the announcement that Turkey's international credit rating had been downgraded by two agencies.

French politicians questioned

French police yesterday rounded up some 30 local politicians and possible underworld associates for questioning about last Friday's murder of Mrs Yann Piat, a conservative UDF deputy who had crusaded for a clean-up of her Var constituency on the Riviera, writes **David Buchan from Paris.** Among those questioned were the UDF vice-president of the Var departmental council and the mayor of Hyères whose post Mrs Piat was planning to contest in this month's municipal elections. Earlier this week Mr Charles Pasqua, the interior minister, said he was determined to clean up the Riviera region which was last year identified in a parliamentary report as an area of growing Mafia influence.

Local elections in Netherlands

The Dutch go to the polls today in local government elections ahead of national elections on May 3, writes **Ronald van de Krol from Amsterdam.** Opinion polls suggest the two parties in the governing coalition – the Christian Democrats, led by the country's veteran prime minister Mr Ruud Lubbers, and the Labour party – would lose their majority if general elections were held this week, with the opposition Liberals and D66 registering sharp gains. A poll by the Nipo polling company suggests the Christian Democrat's support would fall to just 35 seats in parliament, from 54 in the 1989 elections, and Labour to 31 seats, down from 49.

Dutch reconsider phone tax

The Dutch government yesterday said it would reconsider its plans to levy a special tax on the profits of companies operating mobile phone networks, writes **Ronald van de Krol.** The move came after a majority of parties in parliament expressed their opposition to the planned 7.5 per cent tax. The special mobile telephone tax, which would have been the world's first, had been attacked as a threat to the development of modern mobile communications in the Netherlands.

Romanian ruling party seeks pact

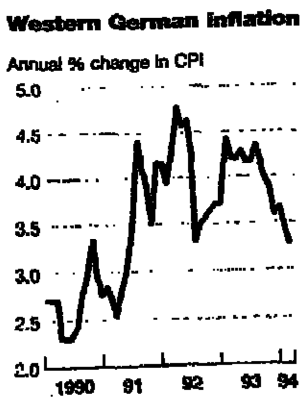
Romania's ruling party was yesterday in talks with the pro-reform Democrat party, after failing to meet a deadline to form a new governing coalition with the Romanian National Unity party, a hardline nationalist organisation, and other extremist parties, writes **Virginia Marsh from Bucharest.** The PSDR ruled out sharing power with the DP and other pro-reform opposition parties but said the talks were aimed at concluding a political pact with them. Meanwhile, more than 700,000 workers, mainly in heavy industry and mining, yesterday continued their general strike for a second day, the Alfa Cartel union said.

ECONOMIC WATCH

German inflation eases

Western German inflation

Annual % change in CPI



Source: Datastream

West Germany's inflation rate fell to 3.3 per cent in February from 3.5 per cent the month before, helped by falling goods prices and lower real wages, though hopes of a fall below 3 per cent this year still depend on developments in rents, import prices and public and private sector services. Prices for goods rose only 2.3 per cent in 1993. Gross pay for west German industrial workers fell by a real 1.6 per cent – the first fall since 1983 – while white collar pay stagnated. The government warned, however, that west German basic hourly pay was still growing too quickly. Between 1985 and 1992, German wages rose a real 20.6 per cent, compared with 12 per cent in Japan and 5-6 per cent in France, Italy and the Netherlands. Rates in the US had fallen by 8 per cent.

■ Spain's industrial production rose 6.2 per cent in December from a year earlier, but declined 7.6 per cent from November 1993, leaving industrial production for the year down 4.6 per cent on the 1992 figure.

■ Swedish new car registrations rose by 12 per cent last month to a preliminary 10,714 units, from 9,549 in February 1993. New registrations in January and February were up 20 per cent, to 21,111 from 17,568 the same two months in 1993.

Longuet sees alliances as industry's hope

John Ridding and **David Buchan** talk to a French minister with a difficult brief

As minister for industry, trade, posts and telecommunications, Mr Gérard Longuet has one of the broadest and trickiest briefs in the French government. His in-tray bristles with delicate dossiers, from the restructuring of public sector companies selected for privatisation to the reform of France Telecom and the promotion of trade and investment links in international markets.

Yesterday, for example, Mr Longuet was faced with the task of persuading Mr Karel Van Miert, the European competition commissioner, to allow a capital injection of FFr7bn (£812m) for Groupe Bull, the loss-making state-owned computer group. Brussels' decision on the capital increase will help determine the fate of one of the country's biggest technology-based companies.

Bull is just one of the problems inherited by Mr Longuet when he took his post in March last year. With a budget deficit target of FFr300bn this year, the state cannot afford to fund loss-making groups and has embarked on a programme of privatisation to support the public coffers.

However, to achieve this several companies from Bull to Pechiney, the aluminium group, and Usinor Sacilor, the loss-making steel group, need to be prepared for sale.

For Mr Longuet, a self-declared liberal, but also a pragmatist, the solution is often to be found in industrial alliances.

"An important factor for Bull's privatisation is an increased relationship with its present partners, such as NEC," says Mr Longuet, who believes the state's holding in Bull could be reduced to less than 50 per cent by the end of the year.

He dismisses the political sensitivities which could arise from the sale of a substantial part of Bull's capital to a Japanese company.

"Mr [Jean-Marie] Descarpentries [Bull's chairman] has been given carte blanche," he says. He expresses concern, however, about the sale of Rover to BMW, which angered Honda, the British company's partner. "It is a precedent which is not favourable for relations of trust with the Japanese."

The industry minister's enthusiasm for alliances spreads beyond the resolution of public sector problems. In many cases, he views partnerships as the best means to strengthen the position of French companies on the international stage.

"Why do I want to privatise Renault?" asks Mr Longuet. "It is to give it the opportunity to find partnerships with other companies. If the cards in the industry are reshuffled, there is no reason why Renault should not be involved."

Since the failed deal at Volvo, Renault has largely disentangled itself from the cross-shareholdings and industrial alliances that bound the prospective partners. Mr Longuet now hopes to privatise the French motor group this year, depending on the state of the financial markets.

The most striking example of an alliance in Mr Longuet's domain, however, is to be found in the courtship between France Telecom and Deutsche Telekom, its German counterpart. The agreement last December between the second and third largest international telecommunications operators to create a joint venture to supply data and other services to clients is the first step towards a deeper industrial alliance which is expected to include the exchange of equity.

For this to happen the French telecoms group requires a change in its legal status to transform it from a state agency to a public sector company with its own capital. The threat of union opposition, however, has forced Mr Longuet to delay such a change. Negotiations, he says, are being held in an attempt to win the support of France Telecom's employees, many of whom fear that reform is a prelude to privatisation.

Mr Longuet says privatisation is not on the cards. But he is determined to allow the group to open its capital to forge alliances with international partners. France Telecom's defeat by British Telecom last year in the fight for the hand of MCI of the US is a precedent which Mr Longuet does not want to see repeated.

The manoeuvrings of the French and German telecoms groups reflect the close trade and industrial links between the two countries. But according to Mr Longuet there is room for improvement in the commercial relationship.


Longuet: tricky brief

"Germany has to accept the idea that there are other industrial countries in Europe," Mr Longuet says bluntly. He cites the vehicle, transport and energy sectors as areas where co-operation should be increased with Germany to strengthen the competitiveness of European companies against Japanese and US rivals. One example is in high-speed railways, where the TGV produced by GEC-Alsthom is engaged in fierce competition with the German ICE consortium.

Despite his emphasis on partnerships and alliances, Mr Longuet is confident about the strength of French industry. "For a European country, that is to say a country with a certain level of social protection and salaries, France is very competitive." In support of this he points to export figures, which rose in the final months of last year, despite depressed demand in markets such as Germany.

But if France is to maintain its industrial strength, broader reforms are needed. "The big challenge for a liberal government in France over the coming years is to reinforce our capital investment. We have to create the right conditions for domestic and foreign long-term investment," he says, ruling out "artificial" industrial policies that provide incentives for specific activities.

The first step, he believes, is under way. Mr Edmond Alphandéry, the economy minister, has said he will introduce reform of France's pension system which should encourage long-term savings and, through private funds, create vehicles for long-term stock market investment.

Fears of extinguishing France's fragile consumer recovery appear to have pushed back the reform from spring to the autumn, but Mr Longuet is certain the reforms will take place. At least that is one problem in someone else's in-tray.

Clinton accused, Page 6

Japanese jobs market improves

Japan's ailing jobs market perked up slightly in January, to the markets' surprise, but the underlying unemployment rate continues to rise, William Dawkins in Tokyo reports.

Unemployment inched down to 2.7 per cent in January, from a revised 2.8 per cent in the previous month, the first fall for nearly two years. At the same time the number of jobs available rose slightly to 67 for every 100 people looking for work, from 65 in the previous month.

However, the January jobless rate still stands at a six-year high and the number of companies announcing early retirements and freezes on recruitment continues to rise.

The total out of work rose by 21 per cent from the same month last year, to 1.84m, the government's management and co-ordination agency reported. New job offers continue to fall sharply in manufacturing, down by 32 per cent over the year to January, though the boom in low cost housing has created a 4.4 per cent rise in construction jobs over the same period.

Angola cuts exchange rate

Angola devalued its official exchange rate by nearly 30 per cent yesterday, the third devaluation in the past two weeks. Reuter reports from Luanda.

The National Bank of Angola said the official rate of the kwanza was now 24,970 to the dollar, compared to 17,838 in force since February 21 and 12,740 from February 14 when it was cut from 6,500.

The devaluation was part of adjusting the official exchange rate to "a point of macro-economic equilibrium", the bank said.

Walvis Bay free trade zone opened

Namibian President Sam Nujoma opened a free trade zone in Walvis Bay yesterday, calling the newly-incorporated port a strategic gate to markets in Africa and Latin America, Reuter reports from Walvis Bay, Namibia.

South Africa and Namibia signed a treaty on Monday transferring ownership of Walvis Bay, ending what President Nujoma called the final chapter of apartheid colonialism.

Algeria reduces oil revenue hopes

Algeria has revised down the revenue it expects from its petroleum exports this year to $8bn from $9bn, a spokesman for the state-owned Sonatrach agency said yesterday, Reuter reports from Rabat.

The estimate is "based on an average price of $15 a barrel for Algerian crude. Our forecast of oil revenues for 1994 will be around $8bn," the spokesman for Sonatrach's communications department said.

Income from petroleum exports, which represents more than 90 per cent of foreign exchange earnings, was estimated at about $9bn last year but since then oil prices have fallen.

Mr Abdelhak Bouhafs, Sonatrach's managing director, said in an interview published by the Algiers daily Liberte last month "a decline of $4 a barrel means a loss of $2bn". Servicing Algeria's foreign debt of $25.7bn cost $9.3bn last year.

Sri Lankans vote

Sri Lankans voted for the first time for 11 years in the war-torn north and also in the east yesterday amid reports of intimidation by ruling party supporters and police, Reuter reports from Colombo.

Residents and an opposition politician reported attacks or threats to polling officers and voters by United National party supporters, helped by police.

Settlements forced to top of peace agenda

David Horovitz on the issue Rabin was desperate to keep for later in Mideast talks

Mr Yitzhak Rabin, Israel's prime minister, has tied the future of his government and his country to the peace process. If that process collapses, it is likely his government's chances of winning re-election will collapse with it. And, more important perhaps, the chances of a stable Middle East emerging in the foreseeable future are likely to disappear too.

Yet this week, after the massacre in Hebron's Cave of the Patriarchs and with the Palestine Liberation Organisation demanding a crackdown on extremist settlers as a condition for resuming negotiations on Palestinian self-rule in the occupied territories, the prime minister has held back.

Mr Rabin and some of his more loyal ministers have been portraying a new series of measures introduced to curb the wildest settler excesses as harsh beyond precedent. But placing half-a-dozen of the most unsavoury ideologues into three-month terms of administrative detention, and disarming or restricting the movements of about a hundred more, has been insufficient to reassure the Palestinians or to woo them back to the negotiating table.

Baruch Goldstein, the Brooklyn-born doctor whose 111 bullets last Friday have done such damage to the fragile Israeli-Palestinian reconciliation, would not have been on the

Jewish settlements in the occupied territories

army's top-six list of dangerous settlers, possibly not even in the top 50. The expressions of support for his actions from sections of the settlement movement suggest that there may be more Baruch Goldsteins out there waiting.

While few in the Israeli mainstream advocate disarming all 115,000 settlers, as the PLO has demanded, there are many, including several cabinet ministers, who believe the time has come to evacuate the most provocative settlements, such as the Beit Hadassah enclave in the heart of the *Palestinian population* in Hebron.

It is not that Mr Rabin is fundamentally opposed to the concept of uprooting settlements, as will be sought eventually by the PLO. Far from it. While he is publicly reticent on the subject, his aides have always indicated that the prime minister regards barely a third of the 140-plus settlements dotted throughout the West Bank and Gaza Strip as serving a vital security purpose.

His ultimate vision, those aides believe, would be to retain the new Jewish Jerusalem suburbs that have sprung up since the capture of Arab East Jerusalem in 1967, plus a ring of settlements protecting Jerusalem, and another row along the eastern edge of the West Bank, on the border with Jordan. The residents of most other settlements should be offered compensation to move back into Israel, or face the prospect of living under Palestinian rule.

The problem with that vision is that it is not shared by a substantial proportion of the Israeli electorate. Many, maybe even most, Israelis are still reluctant to see settlements evacuated in a land-for-peace deal with the Palestinians. Even in the immediate aftermath of Friday's massacre, a newspaper poll showed that while 46 per cent of Israelis wanted the Beit Hadassah enclave evacuated, 50 per cent believed the settlers should be allowed to remain.

Mr Rabin's intention, as reflected in the provisions of the framework autonomy accords signed at the White House last September, was to win over public support gradually. This would be achieved by first granting the Palestinians self-rule in Gaza and Jericho. It would then be extended throughout much of the West Bank. Over the next two years this should allow the level of Israeli-Palestinian violence to ebb and the first seeds of mutual respect to sprout.

Only in 1996, according to the framework accords, were settlements intended to feature on the negotiating agenda. And by the time it came to encouraging settlers to leave, at the end of the interim period in 1998/1999, Mr Rabin was betting that a substantial majority of Israelis would be prepared to sacrifice settlements in the cause of a peaceful co-existence they were already enjoying.

Baruch Goldstein has badly dented that scenario. Palestinian negotiators are asking if there is much point in discussing the minute details of the planned transfer of authority, when Goldstein's admirers are free to roam through Arab population centres, machine-guns at the ready, able to open fire at whim and make a mockery of efforts to bring a new era of calm to the occupied territories.

Some Palestinian leaders have been saying since Friday that, unless the settlement issue is placed on the negotiating agenda now, there can be no resumption of talks. Others have stopped short of such a precondition. And Mr Yassir Arafat, the PLO chairman, has been characteristically vague.

Doubtless, in their frequent communications over the past few days, Mr Rabin has been explaining to Mr Arafat exactly why he feels he cannot confront the settlement issue just yet. The future of the Gaza-and-Jericho-first autonomy plan, so close to realisation before last Friday, may well now hinge on whether Mr Arafat accepts that explanation.

Massacre takes joy from freed prisoners

Freedom lacked its zest now they had to live with the memory of last Friday's mosque massacre, released Palestinian prisoners returning to Hebron said yesterday, Reuter reports from Hebron.

Israel had said it would release about 500 Palestinian prisoners yesterday, and 300 more by the end of the week in a gesture to calm rage after a Jewish settler gunned down 43 Arabs praying in a mosque at Hebron's Cave of the Patriarchs.

A group of about a dozen just-freed young men looked dazed as they walked down a Hebron street carrying their belongings in shoulder bags.

Hebron was still under strict curfew and there was none of the public rejoicing that greeted two prisoner releases after September's PLO-Israel peace deal.

"Of course I'm happy to be out. I have not been free for seven years," said Mr Mohammed Ghaleb Gheith, 29. "But this is not enough, because of the massacre that happened. I only had five months left to serve anyway."

Friday's massacre and the ensuing clashes were the worst day of bloodshed in Israel's 27-year occupation of the West Bank and Gaza Strip and led to a suspension of Middle East peace talks.

The forlorn little group of men had been driven from Ketziot prison camp in Israel's Negev Desert to Hebron in a busload of about 30 prisoners.

They were dropped at Israeli occupation headquarters in town and left to find their own way alone.

"I don't even know how I'm going to get home," said Mr Gheith.

Most of the men had been in prison for some years and were first told they would be freed early yesterday.

The group included Mr Amin Abu Argoub, 21, who had served 48 months of a 50-month sentence, and Mr Mohammed Abu Khash, 26, who had served four years and seven months of a five-year sentence.

They said all those released were known to the Israeli authorities as supporters of PLO Chairman Yassir Arafat's Fatah faction, although some had become Islamists in prison.

They declined to tell what they had been sentenced for, saying only they were involved in "intifada [Palestinian uprising] activities".

An army communiqué on the prisoner release said the freed men had not "shed blood" or been involved in "terrorist" attacks since the Israel-PLO peace deal.

Mr Abu Argoub said he was glad to be out of Israel's notorious Ketziot prison: "Conditions were bad and getting worse. We were about 25 to a tent and there were a lot of ill prisoners and not enough medicines."

While they talked on the street, an Israeli army patrol stopped and checked their identity papers.

Mr Abu Khash said he had been happy when he heard in prison last year of the Oslo self-rule agreement between the PLO and Israel. But he said the only goal worth achieving was a Palestinian state.

"The Israeli steps, including our release, are not even 1 per cent of what is necessary," he declared.

Adel Namis, one of 500 Palestinians released from Israeli army jails, being welcomed home by relatives in Bethlehem yesterday Reuter

Australia budget priorities set out

By Nikki Tait in Sydney

Australia's budget priorities in May would be "to improve the prospects for the long-term unemployed, to promote industry and regional development and to implement the Native Title legislation," Mr Ralph Willis, Australian Treasurer, said yesterday.

These measures, coupled with the government's commitment to reduce the budget deficit to about 1 per cent of gross domestic product by 1996-97, meant there would be "little scope for further substantial initiatives this year".

The treasurer's comments came as he unveiled the Australian government's initial budget platform, which is contained in a document called the "fiscal framework". Publication of the background statement is the starting point for negotiations on budget details with the Labor party caucus, and with the minor parties holding the balance of power in the Australian senate.

The government is anxious to avoid a repeat of last year's fiasco when its finance package became stalled in parliament for a couple of months, as haggling over specific measures continued. Accordingly, a defined period for negotiations had been set up this year, and the budget date itself moved forward from late summer to May.

The fiscal framework provided few new projections about the economy. But it did play down the likelihood of a "jobs levy" to fund the unemployment measures. "The introduction of a jobs levy...has been suggested as a means of accommodating the increased expenditure pressure without prejudicing the deficit reduction programme," it said.

"While the government has not rejected the suggestion, it would prefer to meet its objectives without having to introduce such a measure."

● Australia saw a seasonally adjusted current account deficit of A$1.26bn (US$903m) in January, in line with analysts' predictions, and a considerable improvement on the unexpectedly large deficit recorded in the previous month. The December current account deficit has now been revised to A$1.6bn.

Price-protest miners vote to stay out

Australian coalminers, on strike since Sunday to protest at lower coal export prices, have voted to stay out until Friday, Reuter reports from Sydney. Those attending a rally in Canberra demanded an inquiry into negotiations between Australian coal companies and Japanese buyers.

A deal covering Australian coking coal reached in January resulted in price cuts of 8-9.5 per cent for the year starting April 1. The miners, who say the cuts will lead to fewer jobs and mine closures, repeated their demand for a national coal-marketing authority to negotiate prices with Japanese buyers. Companies say that would be tantamount to nationalisation.

The miners vowed to strike indefinitely if employers took disciplinary action. Mr John Maitland, miners' union president, will meet Prime Minister Paul Keating today to discuss the miners' case.

Hopes rise over HK airport talks

By Simon Holberton in Hong Kong

Britain and China will hold their first formal talks tomorrow on financing Hong Kong's multi-billion-dollar airport since last August, raising hopes that Beijing may be moving closer to an agreement.

The meeting, at China's request, will discuss the Hong Kong government's fourth financial plan for the airport and its connecting railway.

It follows the collapse of Anglo-Chinese co-operation on Hong Kong's political development last week and has prompted speculation among British diplomats that China might be moving towards a separation of economic from political issues.

China has consistently criticised the Hong Kong government's financial plans for the project. It has said the government wants to raise too much debt to finance the project; debt which the post-1997 government will have to shoulder.

The government's first financial plan, which found favour with international bankers, provided for HK$16.3bn (US$2.1bn) of equity and HK$66.6bn of debt.

Earlier this year, the government offered, in its fourth revised plan, to increase its equity contribution to airport and railway to HK$60bn, from HK$45bn previously, and to cut the amount of debt needed to finance the project to HK$23bn from HK$38bn.

It is unclear how China will react to this latest plan, in spite of its much-reduced borrowing requirement. Last weekend, after a meeting in Beijing of the Preliminary Working Committee (PWC), some PWC members complained the government had not gone far enough.

It would be surprising if China were to agree to the Hong Kong government's latest plan without extracting further concessions. As today's budget will show, the government's revenues are buoyant and it could afford to pump more equity into the project.

● Hong Kong's property developers shrugged off interest-rate and political worries yesterday to bid record prices for three plots of residential land at a government auction, Reuter reports from Hong Kong.

"The prices were way above expectations. This is obviously a huge vote of confidence in the colony," government land auctioneer Nigel Burley said after the auction.

Mr Burley said the developed properties, units of which will be sold to the public before completion, will come on to the market around 1996 to 1997. Hong Kong reverts to China in July, 1997.

Analysts said they were surprised at the high prices – the two more expensive plots at over HK$2bn (£173.5m) each surpassed expectations by more than HK$500m apiece.

But Hong Kong's stock market reacted negatively to the auction.

China may enter Gatt 'this year'

Sir Leon Brittan, European trade commissioner, said he believed China could enter Gatt this year and trade and human rights should be dealt with separately, Reuter reports from Beijing.

Sir Leon was speaking after two days of talks with Chinese officials on Sino-EU economic relations.

There would be complex negotiations to agree the nature of the commitments more precisely and the schedule of timing acceptable to the EU, he added.

The EU is seeking cuts in tariffs, greater transparency, improved access for its companies into sectors such as distribution, banks and insurance companies, and a safeguard clause against surges in Chinese exports.

Sir Leon gave Chinese officials a protocol on Gatt entry with a list of requirements. China was a founder member of Gatt but left after the Communist takeover in 1949. It applied to rejoin in 1986.

Sir Leon also raised the issue of what he called serious violations of intellectual property rights. The capacity of China's compact disc industry was enormous but in the absence of agreements with foreign companies it created an incentive for piracy, he declared.

Vietnam's jobless problem comes out into the open

Roads into Hanoi are now informal job centres, writes Iain Simpson

As the sun rises over Hanoi, hundreds of young men gather on the dusty verge in the middle of Giang Vo street. Some sit in groups; others lie on blankets trying to sleep. Most of the men are peasant farmers. All are looking for work.

Giang Vo street is one of six or more main roads leading into the Vietnamese capital which have become informal job centres. Foremen looking for labour on one of the dozens of construction sites around Hanoi come to hire workers by the day, the week or the hour.

Giang Vo is lined with shops selling building materials, and the men waiting for work hope some of the customers will need labour as well as bricks and cement. If they are lucky, they will earn up to $3 (£2) a day and return at night to the cheap, crowded hostels where they stay while they are working in Hanoi.

Some men come every day from the countryside around Hanoi to look for work; others have trekked several hundred miles from the provinces of central Vietnam, where, when the rice is planted, there is little else to do.

Unemployment is one of the biggest problems now facing the government in Vietnam. Since pro-market economic reforms were introduced in 1986, the level of joblessness has increased rapidly.

Official figures show more than 2m people unemployed out of a workforce of 32m. There are also 5m-6m people who are under-employed.

Tens of thousands of workers have also been laid off by bankrupt state factories and are looking for new jobs. Also unemployed are many former soldiers demobilised after the Vietnamese army pulled its troops out of Cambodia in 1989.

Most of the under-employed are peasant farmers, who work in the fields for four to six months of the year. For the rest of the time there is no work in their home villages, so they go to towns and cities in search of other work.

Until recently, the problem of rural under-employment was disguised because people from the countryside were not allowed to travel to cities such as Hanoi; any found looking for a job were rounded up and sent home. Since 1992, as internal travel restrictions have eased, the under-employed have appeared on the streets of the capital.

One group of men waiting for work on Giang Vo street had arrived in Hanoi a week earlier from the central province of Quang Tri, one of the poorest in Vietnam. "Living in the countryside, I have no job. I came here so that I can feed my family," one of the men said. But he would not move his family to Hanoi because he could not make enough money for them all to live.

The government hopes that growing foreign investment and the domestic economic boom will create work for many of the people now jobless. But western economists in Hanoi believe unemployment will continue to be a serious problem in Vietnam for many years to come.

US and UK affirm unity on policies

By Philip Stephens in New York

President Bill Clinton and *British Prime Minister* John Major put aside past differences over Bosnia yesterday and announced broad agreement on a range of foreign policy issues as the US leader reaffirmed the "breadth and depth" of the transatlantic relationship.

After talks in Pittsburgh and Washington they agreed to bolster support for Russian President Boris Yeltsin and to launch an initiative to speed implementation of last year's Gatt world trade agreement. Mr Clinton offered strong support for British policy in Hong Kong and carefully sidestepped questions over the visit to the US last month of Mr Gerry Adams, the Sinn Féin leader.

To underline the rapprochement over Bosnia, the two leaders announced they would be sending a joint civil engineering team to Sarajevo to hasten efforts to restore normality to the city. The two governments will approach international financial institutions and seek resources to restore water, power and health services in the Bosnian capital.

After their discussions Mr Clinton said London and Washington had agreed also on the need to bolster Mr Yeltsin's pursuit of reform in Russia, boost Russian ties with the west, and strengthen Nato's Partnership for Peace programme with the former Communist bloc.

Speaking on the White House lawn after what both sides were at pains to emphasise had been harmonious meetings, Mr Clinton once again affirmed the strength of the "special relationship". He said that by focusing on occasional problems, such as Bosnia and Ireland, observers had underestimated "the incredible breadth and depth of our shared interests".

'Special relationship' still strong, leaders say

Mr Major responded by saying that the Anglo-American alliance was underpinned by "shared interests and shared instincts" on virtually all the big issues facing the west.

To reinforce the point, Mr Clinton offered support for Britain in its dispute with China over democratic reform in Hong Kong. He expressed admiration for Governor Chris Patten's efforts towards "a genuine long-term strategy for economic and political success" in *the colony*.

Mr Major signalled his hope that agreement with Mr Clinton on the joint approach to Bosnia would defuse the most explosive issue in often difficult relations between London and Washington over the past year. He told journalists that active US involvement in the search for an overall political settlement between Bosnia's warring parties meant that "our policy is heading exactly in the same direction".

Mr Clinton indicated that the US remained determined not to send US troops to Bosnia until there was a comprehensive political settlement, but said Nato's success in relieving Sarajevo had created "a terrific opportunity to build on".

The two leaders will seek to bring forward to January 1995 implementation of the accords *reached in the Uruguay Round.* Under present plans these would not come into force until *the middle of next year.*

Clinton (left) and Major: harmonious meetings AP

Chilean fears stilled

By David Pilling in Santiago

Futures trading losses totalling \$206m (£141m) at Codelco, Chile's state copper company, will not affect the country's 1994 budget, according to Mr Alejandro Foxley, the *outgoing finance* minister.

Mr Foxley, testifying before a parliamentary commission investigating the losses, which amount to nearly 0.5 per cent of GDP, said the deficit would be met through a combination of last year's budget surplus and extra revenues from Codelco.

Codelco would be able to provide the Treasury with an extra \$61m because of higher production and lower costs than envisaged in the 1993 budget, Mr Foxley said. The remaining \$145m would come from the budget *surplus of* \$790m.

The losses had been particularly painful, Mr Foxley said, as he had devoted the past four years to saving money to improve the country's fiscal position. As a member of Codelco's board Mr Foxley has been the *target of opposition* attack over the scandal. He said he had not known Codelco *was speculating.*

Bentsen firm on banking rules reform

By George Graham in Washingto.

Mr Lloyd Bentsen, US *Treasury secretary, yesterday* refused to back down in the face of Federal Reserve Board criticism and insisted that the four overlapping federal bank regulatory agencies must be consolidated.

Mr Bentsen offered to let the Fed – which currently supervises bank holding companies, foreign banks, and state-chartered banks which are members of the Federal Reserve payments system – conduct joint examinations of a cross-section of big banks in partnership with his proposed new *Federal Banking Commission.*

This commission would have three members appointed for *staggered six-year terms,* as well as the Treasury secretary and a Fed governor.

He resisted, however, the Fed's desire to remain a separate regulatory agency.

"The federal government is not Noah's ark. We don't have, or need, two Securities and *Exchange Commissions.* Or two Food and Drug Administrations. Or two central banks. We don't need two sets of rules and interpreters, or two sets of *examinations," he told the* Senate banking committee.

Mr Bentsen offered to allow the Fed to conduct joint examinations with the Federal Banking Commission of 10 of the 20 largest US banks, as well as of a cross-section of smaller banks. "But there will be just one exam per institution. Just one," Mr Bentsen said.

This concession on joint examinations falls short, however, of meeting the Fed's *demands, which are expected* to be laid out at another hearing of the Senate banking committee *today.*

The Fed's principal argument so far has been that it *needs to be closely involved in* bank regulation in order to stay in touch with market conditions *that could affect the* whole US financial system. Critics point out that the German Bundesbank, *generally* held out as a model central bank, has no such responsibilities.

Caracas acts to curb rise in prices

By Joseph Mann in Caracas

The Venezuelan government has extended the freeze on the retail price of medicines in place since the start of January for 90 days, and set maximum *limits on price rises for some* food items.

The minister of economic development, Mr Luis Carlos Palacios, said that from yesterday prices for a list of mass-consumption food items frozen since January could be raised by a maximum of 2.5 per cent a month, just below the government's 1994 inflation target of 35 per cent. These items include bread, sugar, vegetable oil, rice, powdered milk, flour, *spaghetti and tinned* sardines.

There are no controls on the prices of most other goods and services, although items such as electric power rates, public transport fares and domestic fuel prices are still regulated or set by the government.

The government announcement came as a price control decree issued by the last administration was due to expire. Mr Palacios said business had agreed to exercise *voluntary restraint on price* increases as part of efforts to tame inflation, which reached 46 per cent *last* year.

If prices rose too quickly, he said the government could use the special economic powers it assumed last weekend to order strict price controls.

In a second stage of the administration's inflation control plan, officials will try to convince businesses from producer to retail level to restrain *price* increases voluntarily for other goods and services not included in the mass consumption *list.*

Quebec separatist election defeat

By Robert Gibbens in Montreal and Bernard Simon in Toronto

The separatist Parti Québécois has suffered a *surprise* setback with its first by-election loss in five years in Canada. The *victory* by *Quebec's ruling* Liberal party in the largely French-speaking Shefford constituency, east of Montreal, gives an unexpected fillip to Mr Daniel Johnson, the provincial premier, ahead of provincial elections this year.

Mr Johnson, who took over from Mr Robert Bourassa last January, is strongly committed to retaining – if not strengthening – Quebec's ties to the rest of Canada.

Until a few weeks ago a PQ victory in the forthcoming election seemed all but assured. *The separatist* party has promised to hold an independence referendum within 12 months of taking office.

An opinion poll published yesterday also suggested support for the separatists might be waning. According to the poll, conducted by the Angus Reid group, backing for the PQ's federal counterparts, the *Bloc Québécois*, has dropped to 38 per cent of decided voters, compared to 49 per cent at last *October's general election.*

However, the mood remains volatile. Last week the Liberals lost a by-election in a constituency they had held for 37 years. Opinion polls suggest almost a third of Québécois remain undecided.

This week's victory gives backbone to Mr Johnson's efforts to bring aggressive leadership to the Quebec Liberals after two years of indecision caused by the illness of Mr Bourassa.

Brazilian unions threaten strikes

By Angus Foster in São Paulo

Union leaders in Brazil's biggest industrial state, São Paulo, are threatening one-day strikes in protest against economic measures announced on Monday by Mr Fernando Henrique Cardoso, the finance minister.

Unions claim the measures, designed to pave the way for adoption of a new currency, will reduce workers' spending power.

Metalworkers in São Paulo are due to strike today and union leaders are expected to meet next week to consider further action.

They are worried that under Mr Cardoso's plan salaries are being compulsorily switched into a new accounting unit, the URV (real unit of value), while prices remain free to increase in the local currency, the cruzeiro real.

Business leaders say the strikes are unlikely to be widespread, especially once workers *realise the new* unit will lead to stable salaries.

"There is no atmosphere for a strike in the country at the moment," according to Mr Wilson Brumer, president of Acesita, a specialist steel company.

Reaction to Mr Cardoso's announcement was generally positive, although several analysts foresee considerable political pressure to increase spending ahead of October's elections.

Inflation is not expected to fall significantly before the package's next stage, the full adoption of a new currency, *likely in May.*

Mr Pierre-Alain de Smedt, president of Autolatina, the holding company for Volkswagen and Ford's combined operations, said it remained too early to assess the plan in detail.

"*But what is very positive is* that the government has been extremely consistent and transparent in putting it forward," he said.

Autolatina plans to start pricing its cars in URVs. The government hopes the private sector will *all switch to the new* unit.

It is partly designed to replace a number of different indices already in use which measure price rises, thus fuelling inflationary expectations.

Brussels challenges Hollywood moguls

Protection of EU film industry urged

By Lionel Barber in Brussels

Mr João de Deus Pinheiro, the European cultural commissioner, yesterday called for greater protection of the European film industry to counter the power of big Hollywood studios.

Mr Pinheiro said the European Commission was considering possible changes later this year to the "television without frontiers" directive which sets quotas on foreign broadcasting material and films. He also called for "positive measures" to promote European programming and films.

The Portuguese commissioner suggested that these measures would create a breathing space for European industry as it struggles against US competition, and could be dropped "once Europe has a healthy film and TV production sector again".

His comments are certain to fuel controversy about the future of European broadcasting policy and increase tensions with the US. Only last week, Mr Pinheiro caused a stir by calling for an end to the system which has allowed the Hollywood studios to pool their resources to distribute films in Europe without falling foul of EU competition rules.

The Commission will shortly produce a green paper on a strategy for the audio-visual industry based on two central figures: that 50 per cent of programmes on European channels are of US origin, and that US films now account for at least 80 per cent of box-office revenue in every EU country, except France, where it is around 60 per cent.

US films account for 80% of box office revenue

In his speech to US film producers yesterday, Mr Pinheiro said it was time to redress the "serious imbalance" which existed in the European film market.

"Given that admissions in movie theatres in Europe on the average stagnate, would it not be in the interests of us all... to develop policies developing this market? I believe the answer is Yes."

Hollywood, which has strong support within the Clinton administration, is likely to be wary of calls for market-sharing dressed up as co-operation.

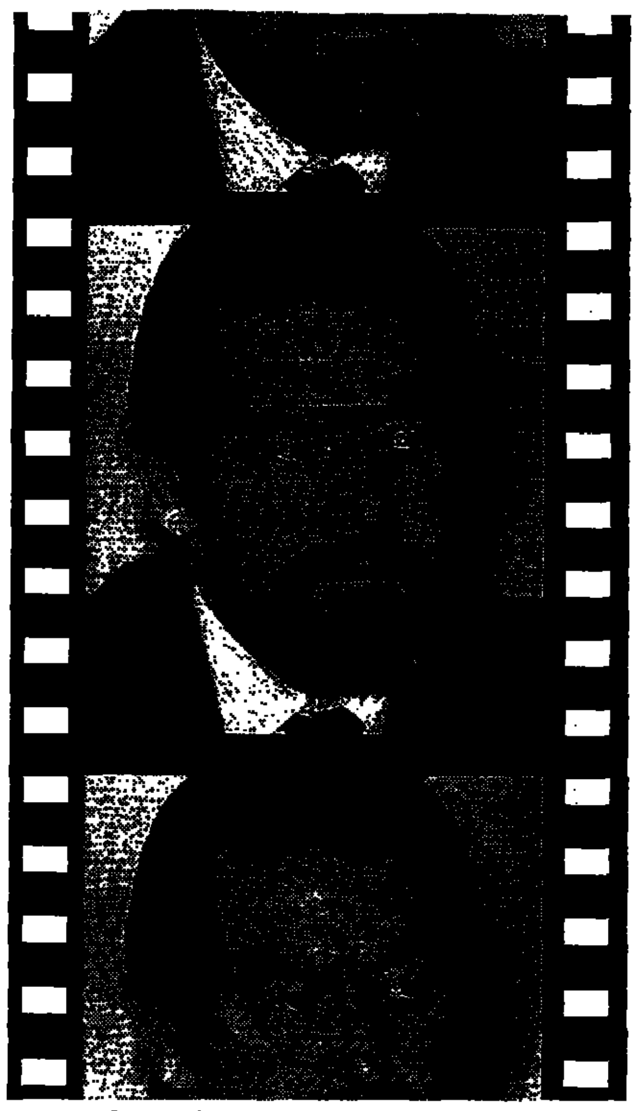
Speaking in Vienna last Monday, Mr Stuart Eizenstat, US ambassador to the EU, said that European quotas on US films were "repugnant" and infringed the principle of freedom of speech.

Mr Pinheiro is vying with French politicians for the title of champion of European culture. In his speech, he attributed the US movie industry's success to the existence of a sound domestic market.

"American films deal with standard stories for a linguistic and culturally unified public," he claimed.

The commissioner, a former Portuguese foreign minister, suggested it was time to create a similar broad European market. "The mistake to avoid could be the creation of 'culturally confused' productions."

Last year, Mr John Birt, director general of the BBC, warned the European Union against attempting to create a "synthetic Euro-culture with a harmonised media industry".



European Commissioner for Culture Pinheiro: now is the time to redress the "serious imbalance" which exists in the film market.

French attack Clinton on aircraft sales

By David Buchan in Paris

Gallois (left) and Clinton: "unprecedented intervention"

French aerospace leaders yesterday accused President Bill Clinton of intervening unfairly to sell \$6bn (£4.1bn) worth of US civil aircraft to Saudia Arabia, while announcing sharp falls in their own turnover and exports last year.

Mr Louis Gallois, president of Aérospatiale, the French partner in Europe's Airbus consortium, said the US government appeared to have entered into "real state-to-state negotiations" to secure the deal with Saudia, the Saudi Arabian carrier. This was unprecedented in civil, as distinct from military, contracts, he said, adding: "If this becomes a permanent American attitude, we must prepare ourselves in Europe for this type of trade."

In an interview Mr Gérard Longuet, France's trade and industry minister, said the US civil aircraft sale appeared to be "linked to rescheduling of Saudi Arabia's military debt", referring to reports that Riyadh is to delay payment of \$6bn of the \$9bn it owes US military jet makers over the next two years. Mr Serge Dassault, president of Dassault Aviation and of GIFAS, the French aerospace industry association, said it was symptomatic of Washington's involvement that, contrary to traditional practice, the Saudia deal was announced by Mr Clinton himself, "the supplier rather than the client".

Announcing that their collective turnover had fallen by 8.5 per cent and exports by 12.9 per cent last year, leaders of the French aerospace industry – Europe's largest – urged Europe to stand up to the US in the Gatt negotiations to control aircraft subsidies.

But, Mr Gallois said, while "Europe should continue to defend its system of direct subsidies or reimbursable advances [which Airbus receives], it is also worth reflecting whether and how we could adopt the US system of indirect aid, so that perhaps we could have two irons in the fire".

An executive of Snecma, the French aero-engine maker, warned, however, that failure to reach any agreement with the US would leave the aircraft industry without any special treatment on subsidies. French aero-engine exports alone fell 26.6 per cent last year.

The level of new orders – which determine future turnover and exports – fell last year by 20 per cent to FFr88bn (£10.1bn) from FFr110bn in 1992. The contract to sell 60 Mirage 2000-5 jets and a large number of missiles to Taiwan was included in the 1992 order book, though deliveries will only begin in a couple of years.

Waiting for such arms export orders to work through, the French aerospace industry is also hoping that the government will unveil an ambitious 1995-2000 military procurement programme this year and that the civil aircraft sector will soon revive. But the interim is proving lean. Dassault, the maker of Mirage jets, saw its turnover drop 20 per cent last year, though it claims to have improved profitability.

EU and Tokyo close on vehicle import numbers

By Kevin Done, Motor Industry Correspondent, in Brussels

The European Commission and the Japanese government are close to agreeing a forecast for new vehicle sales in the European Union, which would leave the level of Japanese vehicle exports to the EU virtually unchanged from last year.

The Commission is optimistic that last year's prolonged conflict over the level of Japanese vehicle exports to the EU can be avoided.

The latest round of talks, which ended in Tokyo at the weekend, had shown for the first time that little divided the forecasts of the two sides, Mr Martin Bangemann, European industry commissioner, said yesterday.

The EU expected new vehicle demand in west Europe to remain virtually unchanged at last year's very depressed level, said Mr Bangemann, while the Japanese Ministry of International Trade and Industry, was forecasting modest growth of up to 3 per cent.

The EU market for cars and light commercial vehicles fell by 15.9 per cent to 11.739m last year, the steepest decline of the post-war period.

In its original estimates last year Tokyo had refused to accept gloomy European forecasts of a steep fall in sales and was then forced to curtail exports drastically last autumn to bring shipments in line with the 1991 EU/Japan accord on Japanese vehicle sales in the Union.

Direct Japanese vehicle exports to the EU fell last year by 18.4 per cent to 980,000 units. The Commission expects a second round of talks with Tokyo to be held in mid-March.

Addressing a European car industry forum organised by the Commission and the European Parliament, Mr Bangemann gave his clear backing yesterday for a continuation of the current controversial "block exemption" for the motor industry, which allows carmakers to use a selective distribution system with exclusive dealers in breach of European competition law.

The 10-year block exemption is due to expire in mid-1995, and the Commission is still divided over whether to accept the motor industry's demand for the selective distribution system to continue.

Mr Bangemann said that the system played an important role in the monitoring of Japanese vehicle sales in the EU. "On no account should this be endangered," he said.

He also dismissed arguments from European consumer organisations that the system was responsible for high car prices in the EU.

"I do not believe that getting rid of the selective and exclusive distribution system would lead to more choice and lower prices - but just the reverse," he said.

Kazakh office for Wimpey

By Andrew Taylor, Construction Correspondent

Wimpey says it has become the first UK construction group to establish a permanent office in Kazakhstan, the oil-rich former Soviet republic.

Because of its large mineral wealth, Kazakhstan offers some of the most attractive development and business opportunities in the former Soviet bloc. The country is second only to Russia among the 15 ex-USSR republics in attracting foreign investment.

Wimpey has identified up to \$1bn (£685m) of construction and engineering work which it says the country is likely to let this year to international contractors, with next year's figure likely to be twice as big.

By 1996, as it modernises and improves its infrastructure, the country could be offering work worth up to \$4bn a year to international construction companies.

Investment by multinationals in Kazakhstan should provide a further impetus for construction work, says Wimpey. Mercedes-Benz, Fiat, and Daewoo have all established sales offices in the country. Philip Morris is investing \$300m for an 88 per cent share in a cigarette factory and some tobacco farms, and Grand Metropolitan, the UK drinks group, last month announced a joint venture to market Smirnoff vodka in the country.

Wimpey has established an office in the capital, Alma-Ata. The country has substantial deposits of gas, gold, silver, lead, zinc and copper. After Russia it is the second biggest former Soviet oil producer, with an annual output of about 22m tonnes and reserves estimated to be as high as 35bn barrels.

Other potential contracts include substantial road refurbishment, upgrading the capital's subway system and mass transit systems generally. Wimpey is already thought to be close to winning contracts to build several hotels.

NEWS IN BRIEF

Brazil engine deal for R-R

Rolls-Royce yesterday was selected to supply its heavy thrust Trent 800 engines to power three Boeing 777 wide-body twin engine airliners for Transbrasil, Paul Betts, Aerospace Correspondent, writes from London.

The UK company was competing for the Brazilian order against its two larger US rivals, General Electric and Pratt & Whitney.

The new Rolls-Royce-powered 777s, which are still subject to Brazilian government approval, are due to enter airline service in 1996-97 on routes between Brazil and the US.

Transbrasil's 777 order, worth about \$400m (£274m) for the aircraft and engines, is the first from a Latin American carrier. It is also the first Latin American order for the Trent 800 engine.

Sir Ralph Robins, Rolls-Royce chairman, said the deal would renew the UK aero-enginemaker's links with Transbrasil after about 20 years. The Brazilian carrier flew an all Rolls-Royce engined fleet in the early 1970s, operating Dart-powered Handley Page Heralds and Spey-powered BAC One-Elevens.

Indonesia contract loan

The US Export-Import Bank has announced an offer of a \$34.3m subsidised loan to a US company seeking a contract from Indonesia's state-owned dredging company, P.T. Rukindo, Nancy Dunne reports from Washington.

If the US wins the contract, it will be the first subsidised loan begun under the Clinton administration, which is formulating a more aggressive export finance strategy. The financing backs a bid by Ellicott Machine of Baltimore to sell dredging equipment.

Mr Kenneth Brody, Eximbank chairman, yesterday said the bank was pushing support for small companies such as Ellicott. It will match, in this case, the offer by a competing Norwegian company, whose name Eximbank could not disclose, of long-term loans at low interest rates. In this way the bank hopes to convince other countries to limit or end subsidised lending.

New light on sinkings

New light is shed on the reasons for a series of sinkings among dry bulk carriers during the late-1980s and early-1990s, in a report* published recently, Charles Batchelor, Transport Correspondent, writes from London.

A total of 64 dry bulk carriers and ore/bulk/oil carriers (OBOs) were lost in the three years from 1991-1993, prompting concerns about the way dry bulk vessels, which typically carry iron ore or coal, were built and the advanced age of the fleet.

But many of the losses were of OBOs, which can carry either dry bulk or oil as cargo, while navigational error was a more important reason for loss than structural or engineering problems, according to a new study by Intercargo, the International Association of Dry Cargo Shipowners.

OBOs are often much larger than dry bulk carriers and are subdivided into separate tanks for oil, which makes them more difficult to sink. But they are more vulnerable to explosions, difficult to maintain and more prone to corrosion. In 1992 the loss of nine OBOs disguised a sharp fall in dry bulk losses to 20 from 28 the previous year.

**Analysis of total loss and fatality statistics 1991-1993; Intercargo, 17 Bell Court House, 11-12 Blomfield Street, London EC2M 7AY; free.*

Venezuela iron move

Sivensa, Venezuela's largest publicly traded steelmaker, plans to invest approximately \$90m to raise production capacity of hot briquetted iron at its Venprecar subsidiary in Guayana, the country's mining and heavy industry centre, Joseph Mann reports from Caracas.

The new capacity will be aimed at export markets.

Sivensa holds a majority of equity in Venprecar, which began producing HBI in 1990.

Trade barriers for Israel

Israel is about to introduce a new series of protectionist measures, giving preference to local suppliers over foreign suppliers competing for public sector contracts, David Horovitz writes from Jerusalem.

The new regulations, drawn up by a team headed by Mr Ilan Plato, Prime Minister Yitzhak Rabin's economic adviser, require that local suppliers be awarded contracts even if their bids are up to 15 per cent higher than those of foreign competitors. Mr Rabin said: "It's about time the world got the idea that we're not suckers."

The new regulations require foreign companies fulfilling government contracts to pledge reciprocal purchases in Israel to at least 35 per cent of the value of their contracts.

Jamaican garments plea

Jamaica has asked the textile surveillance arm of the Multi-Fibre Arrangement to resolve a trade dispute with Canada over garments shipped from the island to the US which then enter Canada, Canute James writes from Kingston.

Canada has limited the quantity of Jamaican assembled women's underwear which can enter that country after being shipped from the island under a trade treaty with the US, according to Jamaican officials.

Gloom over progress in Ulster talks

By David Owen, Philip Stephens and Michael Cassell

The British government has virtually given up hope of making further significant headway in forging a lasting political settlement in Northern Ireland before the European elections in June.

This follows Monday's announcement by the Ulster Unionists, the province's largest political party, that it would not return to round-table talks with Dublin and other constitutional parties.

Mr James Molyneaux, the UUP leader, urged the government to concentrate instead on setting up an internal Ulster assembly – a proposal likely to be vetoed by Mr John Hume's mainly Catholic Social Democratic and Labour party.

London's pessimism over the immediate prospects for further progress emerged last night as Mr John Major voiced his determination to press ahead with the search for a comprehensive settlement.

Mr Major's reaffirmation of the so-called three-stranded approach came after President Bill Clinton carefully avoided questions on whether his administration would again allow Mr Gerry Adams, the Sinn Féin leader, to visit the US.

However, speaking at the White House after talks with Mr Major, Mr Clinton again offered public support for last December's Anglo-Irish declaration as the framework for eventual peace in Northern Ireland. Senior British officials interpreted this as a clear signal that Mr Adams would in future be barred from the US unless and until Sinn Féin renounced IRA violence.

Ministers have interpreted the UUP's announcement as in effect the start of a three-month period of political manoeuvring in the run-up to the European elections.

The UUP is anxious to protect its flank against Rev Ian Paisley's hardline Democratic Unionist party, which is boycotting bilateral talks with London co-ordinated by Mr Michael Ancram, the Northern Ireland minister. The DUP usually tops the polls in the province's European elections.

Mr Major refused to accept that the UUP's disavowal of an Anglo-Irish dimension to a political settlement meant that the process was doomed.

Dublin will also expect its broadly based dialogue with Britain on the political future of the province to continue.

The Anglo-Irish liaison committee which exchanges ideas between London and Dublin on the shape of future political progress in Ulster has already held one meeting since Mr Major and Mr Albert Reynolds, Irish prime minister, agreed last month to put renewed emphasis on joint talks.

Expectations are still high that further moves towards a select committee for Northern Ireland will take place before the end of this month.

HK company to build £36m plant in Ulster

By Michael Cassell

Three hundred jobs are to be created in Northern Ireland with the decision by Benelux, a Hong Kong-based company, to build a £36.6m plastics container factory at Limavady, county Londonderry.

The decision to site the new plant in an area of the province which has already attracted significant foreign investment was announced yesterday by Mr Tim Smith, Northern Ireland economy minister.

Mr Smith said the factory should be in production by August. IT is planned for an 18-acre site and each month will produce 20m compact disc containers to be sold in Europe and the US.

Mr John McGuckian, chairman of Northern Ireland's Industrial Development Board, said the investment represented another success in the province's efforts to attract to the province Asian Pacific companies deciding to start operations in Europe.

In the last 14 months, two Korean companies – Carmen and Daesung – have announced they are to invest in Ulster. Carmen makes car stereos and Daesung manufactures printed circuit boards. In addition; Texmaco, an Indonesian-based man-made fabrics specialist, has also announced it is to set up a plant.

The Benelux factory will be the first in Europe for the company, which makes microcassettes, floppy discs and containers for audio and video cassettes. Benelux already employs 4,000 people in Hong Kong, China and Indonesia and sells its products to customers such as Sony, Olympus and Philips.

Mr Gary Chow, Benelux chairman, said the company had looked at other European sites and had chosen Ulster primarily because of the availability of "easily trained people" and 24-hour continuous working practices. Financial incentives, he added, had also been an important factor. The province offered "an excellent bridgehead" for European and US markets.

The best kind of business battleground

Michael Cassell on Belfast's expatriate executives

Tom Johnson, who three years ago moved his family from sleepy Shelbyville, Indiana, to the uncertain streets of Belfast, thought he was heading for "some place like Beirut".

"My preconceptions turned out to be a million miles away from reality," insists the managing director of Ryobi Aluminium Casting, a Japanese-owned automotive castings manufacturer.

He is one of the growing number of expatriate businessmen sent to Northern Ireland to manage companies. He will shortly return to the US, where he will stoutly defend the reputation of a place he says is damaged by distorted reporting and often viewed through a prism of ignorance.

His company had been drawn to the province by the prospect of lucrative contracts to supply Ford of Germany and by a range of incentives as attractive as any in Europe.

Yesterday's announcement by Benelux adds another name to the register of companies who have already decided that Ulster's reputation as a war-torn trouble-spot is outweighed by its commercial advantages. Estimates suggest that about 55,000 Ulster people are directly employed by overseas companies. In the past year alone inward investors have created more than 1,600 jobs and, since last summer, foreign companies have announced new investments worth well over £100m.

More are in the pipeline. A Taiwanese floppy-disk manufacturer is poised to invest £13m in a new west Belfast factory while a Taiwanese textile group wants to build a £160m plant which will involve the biggest inward investment in the UK for five years. The UK is seeking Brussels approval for the deal, which could mean employment for 2,000 people.

The jobs are badly needed in a part of the UK with higher-than-average unemployment and ghettos where the jobless outnumber those in work. When Ryobi advertised for its first nine skilled operators, more than 150 qualified people applied.

Some US companies are investing in the province – particularly in and around Londonderry – but many remain wary about putting money into what they see as a high-risk commercial climate.

The present pace is being set by Far East companies, which do not appear to be so easily troubled by the province's international image.

For Ryobi, the province beat several other European locations because of the availability of highly skilled workers and a range of grants which totalled about 25 per cent of start-up costs. The highly automated plant in Carrickfergus employs 44 people and, given an improvement in the European automotive market, could eventually give work to 250.

Ryobi, like other foreign investors, has not been touched by the Troubles and stays out of politics. As for Mr Johnson's own thoughts as he prepares to leave: "I would not dare suggest I know the answer and won't preach pessimism or optimism. I am sure it will take some while to sort out but there are so many good people here, one day it must be solved."

Tom Johnson's Ryobi plant near Belfast could eventually provide 250 badly-needed jobs Picture: Pacemaker Press

Legal row on public sector tendering

By Robert Rice and John Authers

The European Commission seems unlikely to relieve the British government's problems over compulsory competitive tendering in the public sector by narrowing the scope of the Acquired Rights directive.

The Transfer of Undertakings (Protection of Employment) regulations, known as Tupe, which enact the directive, have been held by the courts to apply in some cases to contracting out of public sector services.

When Tupe applies, private contractors must take on the existing workforce on unchanged pay and conditions. This makes it difficult for private contractors to undercut public sector costs, as they usually achieve savings by reducing the workforce.

The UK government has told contractors that it is campaigning for the commission to narrow the scope of the directive so that it does not include public sector tendering.

But a commission discussion paper, leaked to the contractors' lobby group Clause 26, suggests Brussels has no intention of reducing its scope by excluding its application to contracting out.

It says: "The subcontracting of only an activity of an undertaking .. does not in itself constitute a transfer of an undertaking within the meaning of the directive."

Ms Melanie Tether, a partner of City solicitors Norton Rose says the reference to subcontracting is merely designed to indicate that the contracting out of an activity will not necessarily involve the transfer of an undertaking.

The discussion paper makes it clear however that there will nevertheless be a transfer if criteria laid down by the European Court of Justice are met.

The discussion paper goes on to say the revision of the directive "should take account of the Court's case law" and "complete its findings."

Cabinet Office report criticises civil service reforms

By John Willman, Public Policy Editor

Mr William Waldegrave, Britain's public services minister, was yesterday required to dig deep into the lexicon of Whitehall-speak as he published a critical report on the government's civil service reforms.

The report, commissioned by Mr Waldegrave, says the creation of agencies to deliver government services has led to fragmentation of the civil service. And it accuses Whitehall departments of interfering excessively in the day-to-day management of agencies.

Mr Waldegrave described the report as "useful and challenging" – code among the mandarins for "embarrassing and very inconvenient".

The author of the report was Ms Sylvie Trosa, a senior French civil servant seconded to the Cabinet Office to evaluate the reforms. Previously, Ms Trosa worked in the French government's office responsible for public service reform.

This Gallic critic found much that was unsatisfactory about the Anglo-Saxon style of administrative reform.

She appears to have endorsed the central policy in the reforms, the creation of more than 80 executive agencies to deliver services such as the payment of benefits and vehicle licensing. "No one argued for a step backwards," she found.

But she found continuing confusion in the relationship between agencies and their parent departments. Agency chiefs continue to complain of interference by civil servants in Whitehall.

"There is a whole bureaucracy set up to monitor us," one agency chief executive told Ms Trosa.

Civil servants in central departments are also critical of the agencies, she found. They see the agencies as increasingly drifting away from them in values and culture. Attempts to ensure that staff move between agencies and departments are "minimal", according to Ms Trosa.

Ministers need to do much more to encourage cohesion in the civil service, she added.

The report is based on extensive interviews with senior civil servants including the chief executives of 26 agencies, half of whom came from outside the civil service.

NEWS: UK

UK car production reaches 20-year peak

By John Griffiths

British car production reached its highest level since 1974 last year, with Rover overtaking Ford as the UK's largest carmaker for the first time in more than a decade.

Rover Group, whose sale to BMW of Germany is expected to be approved by British Aerospace shareholders on March 15, emerged as the biggest producer even when output of Ford 's Transit van and other commercial vehicle operation s are included. Only when production of Jaguar, bought by Ford in the late 1980s, is taken into account did the US multinational overtake Rover – and then by only around 2,000 units.

Figures from the Society of Motor Manufacturers and Traders show that the UK's total car output last year reached 1.38m, nearly 7 per cent higher than in 1992 and the highest since the 1.53m units reached in 1974. As the figures emerged, Ford announced that short-time working has ended at its Transit van manufacturing plant at Southampton, and that output of Escorts from its Halewood plant on Merseyside is being increased as a result of continuing recovery in the UK vehicle market.

Rover's output of cars last year totalled 406,804, compared with Ford's 271,723.

This year Ford should once more start closing the gap on Rover, whose output of cars and leisure/utility four-wheel-drive vehicles – classed as cars in the SMMT statistics – rose 7.39 per cent last year to 406,804 from 378,797 in 1992.

Although Rover's production of vehicles classified as light commercial is confined to some Land Rover models and a few Maestro vans, the 19,940 it produced last year lifted its output to 426,744. This lifted it well clear of the 398,858 cars and vans produced by Ford itself, although Jaguar output added another 29,587 units to Ford's tally.

While Rover has led Ford in actual car output for some time, until last year Ford's traditionally high output of commercial vehicles in the UK has kept it ahead of Rover.

Thus in 1992 Ford's own 302,145 car output trailed well behind Rover's 378,797. But the 151,316 Transits and other vans it produced took its total output, even excluding Jaguar, to 453,461 and ahead of Rover.

Last year, however, the UK's commercial vehicle industry suffered its worst year for production since 1948 and Ford's van output plunged by nearly 25,000 units to 127,065.

Total car output last year continued on its rising trend, up 6.47 per cent to 1,375,524 units, the highest since 1974 – in spite of lower output at Vauxhall and Peugeot.

The main factor in the increase, apart from Rover, was higher output from Nissan's Sunderland plant and production at the Toyota and Honda plants. The three producers made nearly 310,000 cars last year.

Major upbeat on prospects for recovery

By Philip Stephens in New York

Mr John Major last night sought to talk up the prospects for sustained economic recovery and pledged to hold down Britain's inflation rate.

Speaking to businessmen at the British-American Chambers of Commerce in New York, Mr Major said that the government had set in place "solid foundations for sustained growth throughout the '90s."

Seeking to dispel any impression among American businessmen that the economic recovery might be in doubt, he said that the end of the recession had left Britain in a much stronger competitive position.

Manufacturing productivity was rising by over 5% a year, labour costs had fallen and the employment market was strengthening. Britan was again expecting the fastest growth rate among the main European countries in 1994.

Mr Major said that there had been a fundamental change in working practices which had given Britain its lowest underlying inflation rate for a generation: "the inflation psychology is – at last – in retreat. And I intend to keep it that way."

He added that low inflation was creating its own dynamic for investment and growth. But the government was determined to move further in sharpening Britain's competitive edge. Emphasising that education remains at the top of his domestic political agenda, the prime minister said that longterm competitiveness would depend "above all on the quality, the ability, the skills of our workforce.

Borrowing some of the recent political rhetoric of the Labour party, he went on: "What we are working for is nothing less than the reskilling of Britain for the 21st century."

Stressing Britain's commitment to free and open trade, Mr Major said that the industrialised nations could not insulate old industries and old habits from global competition. And in a sideswipe against the Japanese, he said that Britain and America should work together to open up Japan's markets to European and US competition.

● Britain's public sector pay bill rose more than 10 per cent in 1992-1993, according to the newly published statistical supplement to the Budget, helping to explain the current squeeze on public pay.

The supplement shows that public sector pay rose from £68.8bn in 1991-1992 to £76.2bn in 1992-1993, meaning an average pay rise of 7 per cent (after accounting for inflation) in the middle of a recession.

Old ghost returns to haunt Clarke

Philip Coggan on responses to the spectre of a resurgence in inflation

The age-old British problem of inflation will once again face Mr Kenneth Clarke, chancellor of the exchequer and Mr Eddie George, governor of the Bank of England, when they hold their monthly monetary meeting today.

When they met last month, they agreed a quarter of a percentage point cut in base rates, timed to coincide with the publication of the Bank of England's quarterly inflation report.

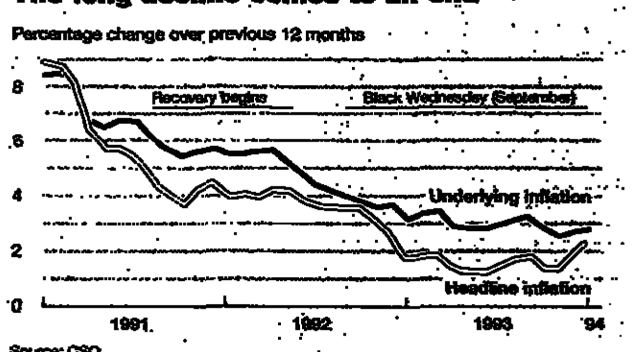
But when that report forecast that underlying inflation would end 1995 at over 3 per cent, in the top half of the government's 1-4 per cent target range, and warned of an "asymmetric" risk that inflation might be even higher than that, analysts started to question the authorities' anti-inflationary credibility.

Since then, falls in bond markets round the world have indicated that investors are concerned about the resurgence of inflation. But analysts are sharply divided on the prospects for price rises, with some arguing that growth is too weak to prompt inflation, especially with the impact of April's tax rises yet to be felt.

The headline rate of inflation, the annual rise in the retail prices index, rose sharply in January to 2.5 per cent, from 1.9 per cent in December. But this was a statistical quirk. When calculating an annual rate, the monthly increase that drops out of the annual comparison is as important as the new figure which enters it. In this case, January 1993, when a round of mortgage cuts caused the RPI to drop by 0.9 per cent, fell out.

The long decline comes to an end

Percentage change over previous 12 months



Source: CSO

So even though the RPI fell 0.4 per cent in January 1994, the net effect was a rise in the annual rate. But the index has actually fallen in three of the past four months and is only 0.1 per cent higher than its level in May 1993. Furthermore, this overall figure disguises remarkable price falls in some sectors, such as clothing and household goods.

The underlying rate of inflation, excluding mortgage movements, rose only slightly from 2.7 per cent in December to 2.8 per cent in January, mainly due to the effect of the Budget on excise duties. It now looks set to stay much closer to the headline rate, because of the disappearance of the effects of the large mortgage rate cuts after Black Wednesday.

However, the Bank of England is not looking at the past but trying to monitor price pressures two years ahead. Which factors will determine future inflation depends, in part, on which economic school one believes. But the main indicators are:

● Money supply. M0 (mainly notes and coins) has been growing well outside its 0-4 per cent monitoring range but the government points to low interest rates, which reduce the cost of holding cash, as the main reason. Growth in M4 (broad money) is still at the low end of its 3-9 per cent monitoring range.

● Producer prices. Manufacturers' costs are still falling. Input prices dropped 2.5 per cent in the 12 months to February, but output prices rose 3.7 per cent over the same period, showing that manufacturers have been widening margins.

● Wage rises. The rate of growth in wages is much slower than when Britain last emerged from recession in the early 1980s. Average earnings grew at only 3 per cent in the year to December.

● Commodities. The resurgence of enthusiasm for gold is cited by some, including the US Federal Reserve, as an indicator of inflationary expectations. But the price of oil remains subdued at around $13.50 a barrel. It is hard to see much inflationary pressure from this area.

● World conditions. Inflation is subdued in most of the developed world. Even in the US, where the Federal Reserve has begun to raise rates, the annual rate is little higher than that in the UK. The effects of the devaluation of sterling in September 1992 seem to have worked through the system.

The immediate future for the headline rate of inflation is quite promising. The months about to drop out of the annual comparison – February and March 1993 – saw the RPI rise by 0.7 and 0.4 per cent respectively.

So the Governor and the chancellor have a mixed picture to discuss. The balance of inflationary indicators is probably positive but the reaction to last month's base rate cut might persuade them that caution is needed.

In its February report, the Bank cited "inflationary expectations" as a crucial factor in future price movements; so the authorities may not want to risk being characterised as being soft on inflation by cutting rates too soon.

Britain in brief

Tories stand by attorney general Lyell

Mr Michael Heseltine's evidence to the Scott inquiry came under fire from Conservative MPs last night as Sir Nicholas Lyell fought growing pressure on him to quit as attorney-general.

Tory backbenchers said Mr Heseltine, trade and industry secretary, had "gone over the top" in accusing Sir Nicholas of giving contradictory advice about his duty to sign public interest immunity certificates.

But there was also widespread support for Mr Heseltine's disclosure that he resisted pressure to sign certificates because of fears that vital evidence in the Matrix Churchill exports-to-Iraq trial would be suppressed.

Mrs Margaret Beckett, Labour's deputy leader, demanded Sir Nicholas's resignation during rowdy Commons exchanges, but Mr Tony Newton, the leader of the Commons, said Mr Heseltine had been advised "quite properly" by the attorney general.

Downing Street also offered strong support to Sir Nicholas. A senior official said he had the "full confidence" of the prime minister.

But friends of Sir Nicholas said he was convinced he would be cleared by Lord Justice Scott, and was determined to resist resignation unless he is strongly criticised in the judge's final report.

Minister scorns claims over aid

Allegations that Britain's overseas aid programme was linked to arms deals with several countries were dismissed as "absolute nonsense" by Mr Alastair Goodlad, foreign office minister of state, last night.

He told the House of Commons that the foreign affairs select committee should be left todeal with claims that a contract to sell £1bn of arms to Malaysia was won because the UK gave £234m aid for building the Pergau hydro-electric dam.

Mr Douglas Hurd, foreign secretary, is due to give evidence to the committee later today.

Mr Goodlad also condemned suggestions that British companies who contributed to Conservative party funds had been the main beneficiaries of contracts arising from overseas aid and trade deals.

Cable deal for cricket contest

A consortium of cable television operators have acquired exclusive UK broadcasting rights to the 1996 Cricket World Cup. The 37 matches in India, Pakistan and Sri Lanka will be relayed to the UK by satellite. The deal is a sign that the UK cable operators are becoming confident enough to enter the market for major exclusive sports rights for the first time.

Jump in UK receiverships

The number of UK companies entering receivership or administration jumped by more than 50 per cent to 248 last month, according to figures from the official London and Edinburgh Gazettes analysed by accountants Touche Ross.

The total for the first two months of the year was 411, compared with 772 for the same period last year.

Big increase in moviegoing

The success of films such as Jurassic Park helped to encourage dramatic increases in UK cinemagoing last year, according to the 11th annual survey of the industry.

The research for the Cinema Advertising Association (Caviar), found that 69 per cent of those aged over 7 said they visited the cinema, the highest proportion in recent history and an increase of 4m on 1992.

The number of people visiting the cinema regularly, defined as once a month or more, increased from 11 per cent of the population to 14 per cent, accounting for a total of 7.139m visits last year, a rise of 28 per cent compared with the previous year.

CAN EUROPE COMPETE?

Technology & innovation

Ideas people at back of the field

Clive Cookson and **Andrew Fisher** explain how Europe is failing in the race to innovate

Europe is being left behind in the race for scientific and technological advantage between the world's main industrialised countries. It takes only a few statistics to show how far Japan and the US have pulled ahead and how rapidly they are increasing their lead.

While high technology products account for nearly a third of US exports and more than a quarter of Japan's, they make up less than a fifth of those from western Europe. Figures from the European Patent Office show that Europe is falling behind the US and Japan in registering new inventions.

Mr Paul Braendli, the EPO's president, finds it alarming that initial patent filings in Europe have not increased at all since 1987, while those in the US have risen by 30 per cent and in Japan by 8 per cent.

"That is already a good indication that in Europe we are lazy in innovating or do not exploit our innovations," Mr Braendli says. "Something must be wrong."

Yet comparing national strengths in science and technology is a hazardous exercise, bedevilled by incompatible definitions. In principle, the inputs – resources devoted to research and development – are simple to assess. It is far harder to measure the quantity and quality of different countries' scientific output.

Input data from the OECD in Paris show that Europe fell behind the US and Japan in overall R&D spending during the 1980s. The European performance was held back particularly by the UK – the only industrialised country that devoted a smaller proportion of gross domestic product to R&D in 1991 than in 1981 – and Germany, where there was only a marginal increase. France and Italy pushed up spending more rapidly, from a lower base.

In 1991, the 12 EU countries devoted 1.96 per cent of GDP to R&D, compared with 2.74 per cent in the US and 2.87 per cent in Japan. Only Germany (2.66 per cent) came close to the American and Japanese levels.

Stripping out the high levels of military R&D in the US and some European countries, Japan takes a clear global lead. It spends 2.8 per cent of GDP on civil science and technology, compared with 2.1 per cent in the US and 1.8 per cent in the EU.

There are many possible ways of assessing the output of R&D. Its industrial impact can be measured indirectly by the export/import ratios of science-based industries. These show Europe's weakness in computers and office machinery, with a ratio falling from 0.54 in 1985 to 0.39 in 1990 (compared to 3.96 for Japan and 0.95 for the US) – and its strength in pharmaceuticals, where the ratio in 1990 was 1.78 (compared to 0.32 for Japan and 1.65 for the US).

But success in manufacturing industries depends on many factors besides R&D, such as management and sales skills and quality control. A more direct technique for assessing strength in science and technology is to measure the quantity and quality of patents and scientific papers produced by a company or country.

Europe's total share of US patents – seen as the most reliable measure of competitive strength – has declined since 1980, due to a dramatic expansion by Japan and more recently by the newly industrialised Asian countries. But again, the decline is far from even. "The figures clearly show European countries going down the tubes in electronics but continuing to hold their own in areas where they have traditionally been strong, such as drugs, medicines and biotechnology," says Dr Francis Narin, president of CHI Research, a consultancy based in New Jersey, which tracks patents issued in the US.

In drugs and medicines, the combined share of US patents held by Germany, France and the UK slipped from 22.7 per cent in 1982 to 18.1 per cent in 1992. In electrical equipment, the corresponding European share fell from 16 per cent in 1982 to 10.1 per cent in 1992.

However, there are bright spots in Europe's science-based industries – even in electronics. Siemens of Germany, the largest European electronics group, is investing DM2.4bn (£900m) in Dresden, eastern Germany, to develop and make powerful memory chips for the telecommunications and vehicle markets. And Philips, the second largest, is challenging the Japanese dominance of liquid crystal displays for portable computers, with a Fl200m (£70m) plant next to its R&D centre in the Netherlands.

In Sweden, Ericsson is investing 22 per cent of its turnover on developing advanced new telecommunications products. It decided boldly in 1991 to spend 15 times as much on R&D as on dividends, although some investors were horrified. Now Ericsson has 60 per cent of the world market for digital mobile phone systems and more than a third of its total orders are for products that did not exist two years ago.

But on the whole Europeans are less willing to take risks with R&D than Americans – both at the corporate level and at the level of the individual researcher. The Japanese may be conformists as individuals but they move boldly as companies, as Sony showed when it created the Walkman market.

Reluctance to take risks is one of many factors – social, cultural, political, educational and financial – blamed for Europe's failure to translate basic research more effectively into faster economic growth. Although there is no consensus about the relative importance of these reasons, few doubt that Europe's continuing fragmentation is an important handicap in the race with the relatively homogeneous US and Japan.

In general, therefore, Europe's strongest suit is pure science. The further away a field lies from potential commercial application, the more likely it is that Europe will be ahead. The latest example is high-energy physics: Cern, the particle physics laboratory near Geneva on which 19 European countries spend £400m a year, will have an undisputed world lead for at least a generation, following last year's cancellation of the US SuperConducting Supercollider (SCS).

The next discoveries about the fundamental forces and particles that hold the Universe together are likely to be made in Europe – which may provide some intellectual consolation to Europeans if the coming decades bring economic decline.

The great research divide widens

Lagging in R&D

By Clive Cookson and Andrew Fisher

Dr George Poste, research director of SmithKline Beecham, the Anglo-American pharmaceutical group, and Prof Jürgen Drews, his counterpart at Roche of Switzerland, divide their time almost equally between the US and Europe – reflecting their companies' 50:50 split of R&D facilities on either side of the Atlantic. Both find the scientific infrastructure more hospitable in the US.

The most important factor in determining where science-based companies invest in research is the availability of R&D personnel, Dr Poste says. "I don't think Europe has the same long-term potential as a source of skilled personnel as the US."

Although European universities are widely praised for the quality of their basic research, many industrial scientists say they lag behind their American counterparts in providing a useful service to industry, either as a source of well educated graduates or as a partner in collaborative research projects.

All industrial research managers agree that a fundamental handicap for Europe is its political, cultural and economic fragmentation.

That makes it harder to mobilise technical resources for large-scale strategic programmes.

Dr Frank Carrubba, an American who moved from California to the Netherlands in 1991 to become chief technical officer of Philips, says an important example is the Clinton administration's ambitious programme to stimulate the construction of "information superhighways" – communications networks that will eventually enable every home and business to receive a wide variety of multimedia electronic services. "The US is already ahead by 2½ years, if not more, in many areas of multimedia and the information society."

Dr Carrubba says Europeans need to appreciate the extent to which the Clinton programme has galvanised the US electronics and information industries into action. "There's an incredible political drive behind it, with [Vice-President] Al Gore going from school to school, town meeting to town meeting, taking about information superhighways.

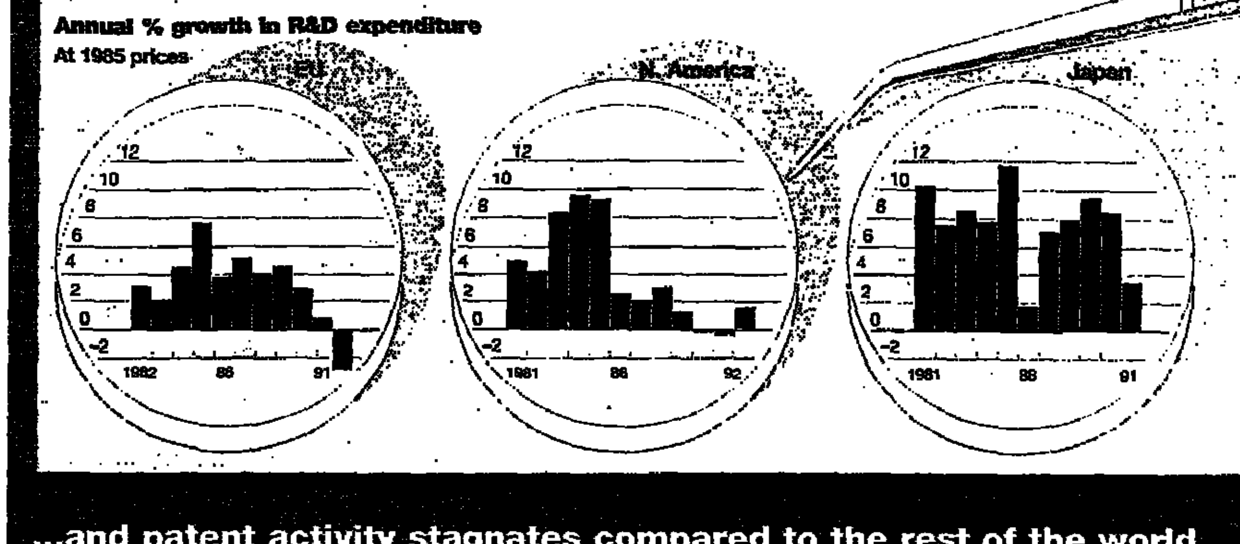
The problem is that Europe is not putting this high on the political agenda. There have been some good individual projects here but very few focused efforts."

Europe has had success with focused efforts at high-techcollaboration in the past. One is the European Space Agency whose efforts to develop a reliable satellite launcher have led to a commercial operation in the form of Arianespace, with more than half of the world market. Arguably, Airbus is another in the aerospace field. Research collaboration on a broader front has been gathering pace through the EU Framework programmes. The Fourth Framework Programme will direct 12bn ecu (£9bn) at a wide range of projects over the next five years, from computing to the life sciences.

But as Dr Poste sees it, "the challenge is to move from a culturally fragmented community to a union that can harness its enormous scientific potential.

It is still bedevilled by the need to make sure that everything is spread equally across the community, rather than being directed to where it would do the most good."

R&D spending grows more slowly in Europe than in US or Japan...

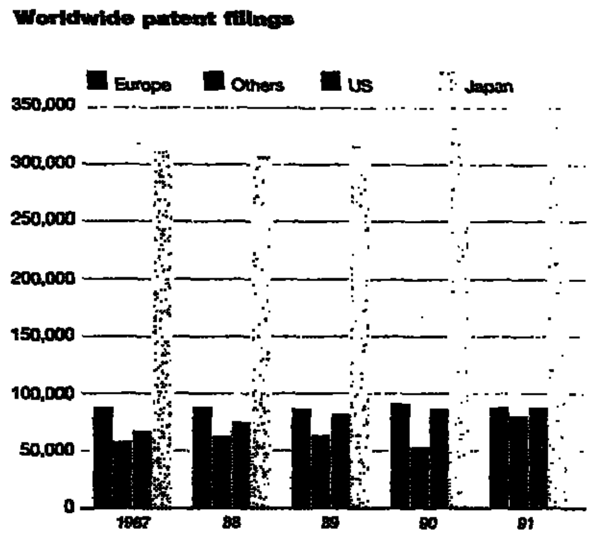


...and patent activity stagnates compared to the rest of the world...

The world's top 20 R&D spenders 1992

Company	Country of origin	Sector	Expenditure (£bn)	As % of sales
General Motors	US	Automotive	3.91	4.47
Daimler-Benz	Germany	Automotive	3.80	9.45
Siemens	Germany	Electricals	3.42	10.68
IBM	US	Computing	3.38	7.38
Ford	US	Automotive	2.86	4.33
Hitachi	Japan	Electricals	2.75	6.69
Toyota Motor	Japan	Automotive	2.37	4.40
Matsushita Electric	Japan	Electricals	2.21	5.61
Fujitsu	Japan	Computing	2.07	11.39
AT&T	US	Telecoms	1.92	4.78
Toshiba	Japan	Electricals	1.68	6.74
NEC	Japan	Electricals	1.60	8.78
ABB	Swiss/Swedish	Electricals	1.58	8.06
Nippon Telegraph	Japan	Telecoms	1.52	4.48
Philips	Netherlands	Electricals	1.33	6.25
Sony	Japan	Electricals	1.27	6.30
Nissan Motor	Japan	Automotive	1.27	3.74
Bayer	Germany	Chemicals	1.26	7.52
VW	Germany	Automotive	1.22	3.51
Boeing	US	Aerospace	1.22	6.12

Worldwide patent filings



N.B. Japan files more patents than other countries to protect all aspects of innovations

...but Europe has not given up on the key technologies of the future

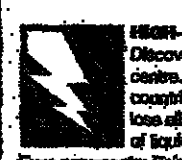
Technologies to watch

GENE SPLICING
Invented in California (1973), though much underlying genetics research had been carried out in Europe. Now the most important technique underlying biotechnology. Greatest expertise remains in US, with many European drug companies tapping into US biotech skills.
Euro prospects: Fair

PERSONAL COMPUTERS
Invented and developed largely in US during 1970s. American companies lead in PC hardware and software. But Japan and other Asian countries making useful contributions, especially to the booming area of portable computers. Europeans niche players at best.
Euro prospects: Poor

MAGNETIC RESONANCE IMAGING
Discovered in the US but key developments made in UK during 1970s. Medical equipment companies in Europe, Japan and the US now manufacturing MRI body scanners. Technology advancing rapidly; new machines will show not only images but also biochemical reactions inside the body.
Euro prospects: Good

NEURAL NETWORKS
Main development work done in US during 1980s. So far neural networks used mostly for military purposes and research but becoming more widespread in financial and industrial sectors for pattern recognition and forecasting. Though leaders are US & Japanese, Europe is catching up.
Euro Prospects: Fair



HIGH-TEMPERATURE SUPERCONDUCTIVITY
Discovered 1986 in Switzerland at IBM's Zurich research centre. Academic and industrial laboratories in many countries racing to exploit new ceramic materials which lose all electrical resistance at industrially useful temperature of liquid nitrogen. US and Japan ahead of Europe.
Euro prospects: Fair

COMMUNICATIONS SATELLITES
Spin-off from US and Soviet space exploration and defence programmes starting in 1950s. Industry is divided between Japan (dominant in ground equipment), US (satellite construction) and Europe (launching).
Euro Prospects: Fair

Sources: OECD, DTI R&D Scoreboard; European, Japanese and US patent offices

Prospects lie in IT's rapid rate of change

Electronics

By Alan Cane

Europe's contribution to the evolution of information technology in the two decades following the invention of the microprocessor has been strong in telecommunications but weak in microelectronics and computing.

One measure is commercial success. Of the world's 12 leading telecoms equipment companies in 1991, seven were European. Compare this with Europe's overall position in information technology: only 12 of the world's top 100 IT companies in 1992 were European-owned, according to Datamation magazine. Europe's top three, Siemens-Nixdorf, Olivetti and Groupe Bull, continue to lose money heavily.

Europe's strength in telecoms is chiefly a consequence of protected markets. Most European telecoms authorities and their suppliers continue to enjoy the protection of regulated and monopolistic regimes. The European electronics and computer companies have never had similar protection but their relative failure involves complex factors including recession, inadequate finance and insular markets which do not encourage economies of scale.

Europe's weakness also has much to do with its consistent failure to contribute technically to the IT revolution.

It seems continually to be catching up rather than leading. Meanwhile, the US is ploughing ahead with plans for a national information highway, for example, while Europe is still debating the issue.

There is an exception. France invented, developed and championed the "smart" or computer card. It has now been adopted all over the world for applications ranging from an electronic key to an electronic wallet.

The world market for microprocessors, nevertheless, is owned by the US companies Intel and Motorola. Packaged software, both systems and applications, is dominated by US suppliers such as Microsoft and Lotus. The design of large computer systems has been increasingly relinquished to the US and Japan.

How serious is the situation for Europe? Mr Pasquale Pistorio, chief executive of SGS-Thomson Microelectronics, puts it bluntly: "No advanced industrial society can exist without controlled access to an advanced electronics industry, which in turn cannot exist without controlled access to an advanced semiconductor industry." This sort of thinking has generated a raft of attempts to turn the tide, chiefly in the form of EU research programmes encouraging pan-European collaboration in "pre-competitive" research. Last year EU ministers decided that information technology should have the lions' share (28.2 per cent or about £3bn) of the budget for the Framework Research programme extending from 1994-98.

It will be the fourth such programme. Has the money been well spent? There have been some successes. EU funds, for example, went into the development of the ARM microprocessor, a small, fast chip designed for high-volume production and well suited to tiny computers and games machines, which has been adopted by Apple for its Newton pocket computer.

On the other hand ES2 – once hailed as the greatest success of the Eureka programme, a Europe-wide initiative supporting market-oriented research – has failed to live up to the highest expectations.

The ES2 story is instructive. The company, based in France and owned by a consortium of European industrial groups, was founded to exploit what was thought to be a large emerging market for chips which could be quickly customised by electron beam for specific applications. At first it looked likely to fulfil its promise, then the technology changed and chips which could be tailored more cheaply gained a hold on the market.

ES2 remains profitable but it has not been a success on the scale envisaged. "The analysts got their forecasts wrong," says Mr Robin Saxby, formerly at ES2 and now chief executive of chip-maker ARM.

Europe's best hope for the future seems to lie in the phenomenon which damaged ES2's prospects – the dramatic rate of change in the IT industries. No European chip maker could hope to capture a share of the personal computer microprocessor market; but the trend is to smaller devices, opening a window for ARM.

Wisdom in hills above Nice

CASE STUDY: Sophia Antipolis, science park

On France's sun-filled Mediterranean coast, scientists strive to commercialise laboratory ideas. Not everyone, however, can find the winning formula

David Marsh reports

Half-buried on the hills outside Nice in the south of France sits a unique cluster of high-technology companies and research establishments.

Off-duty scientists jog by low-slung buildings, housing pharmaceutical laboratories and computer centres that handle world-wide transactions for clients like Citibank or Air France. This is Sophia Antipolis, set up at the end of the 1960s to bring top-class brainpower to a landscape of Mediterranean pines and solar-powered street lights.

The science park, named after the Greek word for "wisdom" and the historical name for nearby Antibes, has grown into a small town. It provides jobs for 16,000 people of 40 nationalities, as well as places for 2,000 students at an extension of Nice university.

Sophia Antipolis – about to celebrate its 25th anniversary this summer – has come of age. However, it is still struggling to make an impact in overcoming the main problem faced by European science: leaping the hurdles between the laboratory and the market-place.

Mr Philippe Boulanger, the youthful managing director of a five-year-old telecommunications concern, Access Privilege, illustrates one way the obstacles can be overcome. After receiving a doctorate at Nice university, he established his company with three partners in a small office complex offering stunning views of the Alps.

His company has just been bought by the Sagem telephones group, in a deal that will make him a millionaire. Mr Boulanger says his success has been based on specialising in a field (in his case, networks using Apple computers) where there was effectively no competition. He admits, however, he knows only one other person in France who has had a similar breakthrough.

Another success story is FDM Pharma, based here since 1981. This 200-strong company, which has hitherto doubled turnover every year, uses sophisticated computer technology to record hospital drugs tests for US and European pharmaceutical companies. Mr Benoit Bouche, the 33-year-old chairman, says he brought the company to the science park after a top US scientist he wanted to hire refused to move to its original headquarters in Lille in northern France.

The official tally of corporations – totalling 980 – highlights the site's attractiveness. Those present range from large concerns like Thomson, Digital Equipment, AT&T and Wellcome to many small businesses employing less than 10 people.

Companies in the computer field have, however, been facing difficulties. The international downturn in the computer industry has led to 400 job losses at Digital (now down to 600 staff) and similar cuts at nearby research establishments of IBM and Texas Instruments.

Mr Pierre Bernhard, director of the Sophia Antipolis branch of the public sector computer research institute Inria, says the site's magnetic qualities affects even those who have lost their jobs. Many computer engineers who have recently been made redundant have stayed on to start new businesses.

Sophia Antipolis places a lot of hope on companies in the health care sector. Mr Jacques Le Guillerm, managing director of the local offshoot of Cordis, the US medical group, says the science park has been saved by its multi-disciplinary structure. "If we had simply had information technology here, it would have been catastrophic." Cordis research and production staff here has grown from 150 to 200 during the last 18 months.

Mr Le Guillerm praises exchanges between pharmacological engineers and information technologists at Sophia Antipolis. "Synergy is now starting to take off." A long journey, however, still lies ahead.

A much quieter beat to the bio rhythm

Biotechnology

By Clive Cookson

Compared to the entrepreneurial and scientific ferment of the US biotechnology industry, the European scene seems sedate.

Europe has nothing to match America's estimated 1,300 biotech businesses – 240 of them public companies – nor the volume of hype about their research achievements, generated by a public relations machine keen to keep investors happy. But the huge gap visible between the activity in the US and Europe does not reflect such a big difference in real achievements.

"Don't be misled by the sight of a thousand biotech flowers blooming in the US," says Mr Brian Ager, director of Senior Advisory Group Biotechnology, a European industry body. "We don't have a full-scale industry but we have large European companies using biotechnology within their operations." European pharmaceutical and chemical groups are plugging into US biotechnology through a network of R&D alliances with independent American biotech companies. Roche of Switzerland led the way with its $2.1bn purchase of a majority stake in Genentech in 1990; the Swiss group also has minority stakes in Chiron and Protein Design Labs and collaborative agreements with Amgen, Synergen and Hybridon, among others. Glaxo of the UK is working with half a dozen US biotech companies.

"Most large European companies have embraced biotechnology, though it took years to convince some of them that biotech was not a fad," says Prof Jürgen Drews, Roche's head of international R&D.

The weakness of European biotech, as Prof Drews sees it, is "that somehow the translation of the science into entrepreneurial activity doesn't work well. This has something to do with the legislation that has stigmatised biotechnology in some European countries."

Dr Peter Doyle, research director of Zeneca, the UK bioscience company, says biotech is the area of science in which Europe has been handicapped by over-regulation. But he and other leaders of the European biotech industry are expressing more confidence that the political tide is turning.

This is the fifth part of a 10-part series. Tomorrow: Environment.

Malcolm Wheatley reports on a recent convert to vendor appraisal

Score card for the suppliers

You do not need to be a "total quality management" fanatic to recognise that most companies would benefit considerably from making regular and detailed assessments of the performance of their suppliers. Marks and Spencer, the UK retailer, has done so for decades. Yet, except in retailing, "vendor appraisal" – the American term for the approach – still seems stuck on the starting block.

US computer company Sun Microsystems, a relatively recent convert, says that its experiences with the practice bear out two claims made for it: that it raises suppliers' performance, and that they in turn benefit from, and appreciate receiving, performance tracking.

Supplier effectiveness is crucial to the survival of the $4bn (£2.7bn) company, explains Mel Friedman, vice-president of corporate supplier management. Sun has used its expertise with the "Sparc" chip behind its range of high-powered minicomputers to create an impressive global customer base, but has fought shy of a heavy manufacturing involvement.

"Fifty five per cent of every revenue dollar goes to suppliers," says Friedman. It is unique among the group of companies with which it competes, he points out, for operating without any chip fabrication facilities of its own.

In part, the strategy has paid off. Sun's steady revenue growth has outstripped the more vertically-integrated IBM, Digital Equipment and Hewlett-Packard by several orders of magnitude. But earnings per share have been more erratic, and four years ago prompted the company to seek an improved – and more consistent – performance from its suppliers.

Given its high level of dependence on suppliers, the company was also determined to monitor their effectiveness over a broader spectrum than price, quality and delivery reliability. In order to assess the total cost of dealing with a supplier, suppliers' ongoing technological development and back-up support mattered too, Friedman argues.

Each supplier's performance against the company's "score card" is reviewed quarterly with members of the supplier's senior management. The long-term objective is to dispense with periodic measurement and have the data online.

Several things make the Sun scheme stand out. One is the way it has been extended beyond the core of suppliers who produce parts to go inside computers; airlines and car rental companies have also been assessed. Another is striving to avoid fuzzy measurements, even in areas such as technical capability.

The company looks at suppliers' investment levels and what Friedman describes as their "technological road map" with precisely formulated expectations. With printed circuit boards, for example, particular levels of expertise are set as minimum standards.

Targets are constantly made tougher: three years ago "on time delivery" meant delivery within a time band stretching from three days early to one day late. Now it means two days early and zero days late.

Moving the goalposts has disguised progress: although suppliers' score card performance has only improved from 1.33 to 1.23 (1 is a "perfect" score, 2 is failure) since the scheme's inception, this is misleading. On a constant measurement criteria basis, claims Friedman, suppliers' performance has shot from 1.33 to 1.00 – in other words, to a level that Sun regarded as perfection three years ago.

Suppliers' attitudes have been very positive, says Friedman. "It's a symbiotic relationship," he argues. "The attributes we measure help the supplier."

Alastair Kelly, managing director of Design to Distribution, the newly autonomous subcontract manufacturing operation of UK computer supplier ICL, agrees.

The volume of Sun business which he undertakes has grown tenfold to $34m since 1990, and he has now imposed the Sun vendor assessment approach on his own suppliers. "It's the best bit of free benchmarking I get," he says.

Qualities that count

Lucy Kellaway studies a new list that attempts to set standards in Britain's boardrooms

What does it take to make a good chief executive? And what to make a good chairman, or a good executive director? What about non-executives?

These seem pretty basic questions yet they are ones which companies rarely ask themselves. While academics write papers about "key competences", there are few signs that boards of directors take any notice.

Last week the UK's Institute of Directors and the Henley Management College attempted to answer the questions in a way that they hope will be of practical use.

With admirable precision, they have drawn up a list of no fewer than 29 qualities which are deemed essential in boardrooms of companies from the biggest to the smallest. They have considered each different role on the board and allocated the qualities accordingly.

The chief executive turns out to need all but four of these qualities, the chairman needs 18, the executive directors need just 10, while non-executive directors need only nine. The idea is that companies have a yardstick against which to hire new directors and to measure existing ones (sending them off on courses to acquire those qualities which they do not possess).

The lists are part of an even more ambitious project to set general standards for all aspects of board behaviour and performance. When IoD and Henley set about writing such guidelines – at the government's invitation – it quickly became clear that there was little point in discussing the tasks of boards without reference to the quality of its members.

The lists are likely to be one of the most controversial parts of their report*. The authors are asking for comments, but may not be prepared for what may be a lively debate, to put it politely. There will be screams of protest from those who reckon the wrong qualities have been selected, as well as from those who feel directors are so diverse there is little point in looking for common characteristics.

Victor Dulewicz of Henley Management College, co-author of the report, warns that it is still only in draft form, and that in any case the lists are meant to be applied with flexibility. "We are not saying this is the list. We are saying: use it as a starting point."

He argues that the selection of British directors is dangerously amateurish. Companies use sophisticated tests when recruiting senior and middle managers – sending them to assessment centres and running psychometric tests, yet when it comes to choosing the most important people, most decisions are made on a seat-of-the-pants basis. "These lists are more systematic than the methods some companies are using," he says.

Even so, people are already arguing that the list is not complete, and is full of inconsistencies. For instance, it is not clear why chairmen need to be good talkers but chief executives do not. Nor why non-executives need to be good at criticising, but need not be so good at analysing problems. Worse, many people – Sir Adrian Cadbury among them – would say independence is the most important trait of the non-executive. Yet this is nowhere on the list.

Colin Coulson-Thomas, academic and consultant in boardroom practice, agrees that the list contains some alarming omissions. Directors, he says, must be self-aware. They must be constantly learning. They must also be robust as individuals. "Some people seem to be doing well, but they are skating on thin ice. The moment anything looks dangerous they resign."

In response, Dulewicz points out that the list was not something dreamed up by the authors, but reflects the distilled views of 340 experienced directors. As such, it says much about the current preoccupations of boards. The only two qualities which are deemed essential for all board members are integrity and a "change orientated" disposition. Post-Cadbury, everybody feels obliged to pay at least lip-service to integrity, while managing change is a concept so fashionable that it is heresy to question it.

More fundamental are the complaints that the very nature of the project is flawed. Headhunters who make a living by selecting directors reckon that lists are unusable as a practical tool. "In theory it might be useful to have a checklist. But you couldn't recruit using this," says Ian Butcher of Whitehead Mann.

Coulson-Thomas argues that the main weakness of lists is that they cannot take account of the relationship between board members. "People can be excellent on one board and hopeless on another. It is to do with whether they complement the strengths of other board members. There is no point in putting them through a test if they are going to prove incompatible," he says.

He reckons that the skills you need as a manager are relatively easy to define, and therefore lend themselves to formal assessment. By contrast, at board level an outstanding director might fail on many of the listed qualities, yet have two or three dazzling strengths that more than compensate for their weaknesses. "Those people tend to be lost when people use models of indentikit candidates," Coulson-Thomas says.

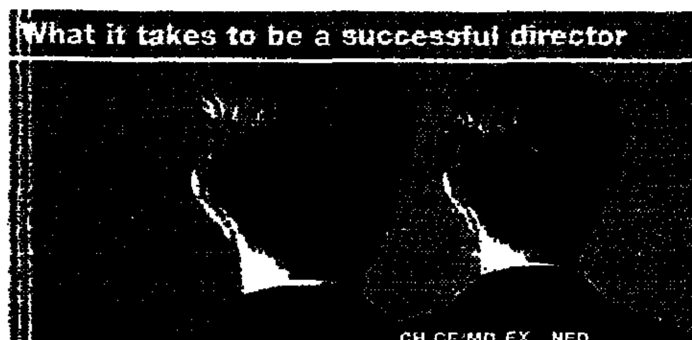
Even those commentators who are friendly to the idea of a list of qualities are worried about the application. John Hunt of the London Business School refers to academic research that has succeeded in linking certain qualities of directors to company performance. Many of these are similar to those on the IoD list. They include "interpersonal skills", strategic awareness, information processing and motivational drive.

However, he reckons the lists can still be dangerous in the hands of careless companies. "They are an improvement on the 'do you know Fred, he's a good chap' sort of recruitment," says Hunt. But there is a risk that some organisations are assessing people on these characteristics but are using dubious instruments. They might be looking for the right qualities, but they have no appropriate means of finding them.

While not everyone agrees with the report, most would argue that the present boardroom practice is far from ideal. Recent research in the UK has shown that fewer than one in eight companies makes any attempt to measure the effectiveness of its directors. Regardless of the value of the 29 qualities, anything that gets companies to question whether their directors are suited to their jobs is progress.

Good Practice for Boards of Directors. IoD and Henley Management College.

What it takes to be a successful director



CH Chairman

CE/MD Chief executive/managing director

EX Executive director

NED Non-executive director

	CH	CE/MD	EX	NED
Problem analysis		•	•	
Critical faculty	•	•		•
Helicopter vision	•	•		•
Organisational awareness	•	•		•
Strategic awareness	•	•		•
Vision	•	•		
Imagination		•		
Judgment	•	•	•	•
Decisiveness	•	•	•	
Change-orientated	•	•	•	•
Verbal communication	•			
Listening	•	•		•
Openness		•		
Co-ordinating	•			
Assertiveness		•		
Impact	•	•		
Persuasiveness	•	•		
Motivating others	•	•	•	
Planning		•		
Organising		•	•	
Delegating		•	•	
Appraising	•			•
Developing managers			•	
Energy		•		
Acheivement motivation	•	•	•	
Determination		•		
Business sense		•	•	
Resilience	•	•		
Integrity	•	•	•	•

Europe's most admired

Senior European company executives are being invited to "vote" for Europe's Most Respected Companies in a new survey by the Financial Times in association with Price Waterhouse.

Business leaders will be asked to nominate companies in their particular sector based on seven specific qualities.

They will be asked to consider the standard of customer focus, customer loyalty and service, the quality of employees, products and services, and the company with the most outstanding business performance – for example, the company that has shown consistent growth and long-term profitability, is a low-cost producer or whose results are used as a benchmark by others.

Participants will also be asked which company in their industry demonstrates clear leadership and management qualities.

Other questions cover which companies have the most effective strategy, perhaps in terms of policy and objectives or response to opportunities in the emerging European market, and which companies care about the environment.

Finally, respondents are invited to nominate the company which they admire overall.

Almost 2,000 chairmen, chief executives and finance officers from 640 European companies are being invited to take part in the survey. The companies span 21 sectors and include the largest quoted, state-owned and private companies in 17 nations from Portugal to Turkey.

The results of the confidential questionnaires are expected to provide a fascinating insight into which companies command most respect from their peers, and why.

The Financial Times plans to publish the results of the survey, and the winners of the award for Europe's Most Respected Companies, in the newspaper later this year.

Paul Taylor

BUSINESS AND THE ENVIRONMENT

Disposing of mounting piles of waste is one of the hardest environmental problems for governments to get right. Few have yet done so. The issue causes political pitfalls. In many industrialised countries, recycling is one of the few "green" issues which reliably stirs up public passion even when recession has muted other concerns about the environment. It gives economists headaches: are taxes or regulation the best tools, and how tough should they be?

These debates also take place against a backdrop of scientific controversy about which disposal methods harm the environment least, a debate handicapped by a shortage of thorough research. "Much recycling does not make economic sense – and some of it uses more energy than it saves," says Steve Webb, policy director of the UK's National Association of Waste Disposal Contractors (NAWDC).

Industrialised countries are now grappling with attempts to improve the control of solid waste from every part of their economies, from households and industry to agriculture and mining.

The European Union is working on a new directive to insist that a majority of packaging is recycled. More than 70 countries worldwide – with the notable exception of Russia – agreed last month to ban dumping of radioactive material at sea. North Atlantic countries have signed a similar, tighter, treaty restricting many kinds of industrial dumping at sea.

Meanwhile, the US Superfund legislation on cleaning up contaminated land, one of the most ambitious pieces of environmental regulation yet passed, is soon due for re-authorisation. Superfund's critics argue that full compliance could cost the private sector $500bn (£342bn) and the government's defence and energy departments, and that overhaul of the rules is urgently needed.

This legislative effort on solid waste tends to be greatest in developed countries. For these parts of the world, air and water pollution can seem more pressing – a ranking of priorities acknowledged by the Chinese environment ministry, for example.

Yet although much regulation has been in the pipeline for years, recession in industrialised countries has made industry more reluctant to pay. It has stimulated questions as to whether the rules will really protect the environment and whether the price being asked is too high.

Putting numbers on the size of the world's waste problem is difficult, partly because defining waste is no trivial question. Proponents of waste-to-energy – incineration of rubbish to extract heat – argue that much household rubbish can be regarded as a raw material. What is waste at one time can be re-exploited later – witness the growing practice of washing east European slag heaps to extract more coal.

Occasionally problems of definition lead to farce. Polish steel makers have suffered shortages of steel scrap to melt down because Polish scrap has been exported to earn hard currency, but imports of scrap have been restricted because it was defined as waste, steel industry companies say.

Nevertheless, OECD figures suggest that municipal waste grew at between 1-2 per cent a year during the 1980s, slightly behind growth in GDP. Recession slowed that growth, but European waste companies expect the rate soon to resume to that of the last decade.

Figures also point to a second problem: the growing proportion of plastics, which contain complex chemicals, sometimes toxic, that make them hard to recycle. In the past 15 years, the proportion of municipal waste made up of plastics has risen by several per cent in most OECD countries to between 8 per cent and 15 per cent, largely at the expense of glass.

Countries are now weighing up a range of solutions for tackling these trends. One vocal lobby says that waste disposal costs (and energy costs) should rise steeply to encourage companies to use resources more efficiently.

Companies acknowledge that this works: ICI, the international chemicals group, says that its paints division has cut its waste by more than half in the past four years because of tighter regulation.

But economists, such as Dieter Helm, director of Oxera, the Oxford-based forecasting group, argue that measures like these simply produce a one-off shift in behaviour, and avoid longer term questions of picking the right waste strategy.

The main options, once the waste exists, are recycling, incineration, burying it or dumping in rivers and the sea. The tendency of regulation in the past few years has been to encourage each country – sometimes each company or town – to deal with its own waste. In particular, that has cut down the opportunities for dumping at sea, one of the cheapest outlets.

But many argue that these strategic decisions have not been taken on the basis of scientific evidence. The UK government, which last month signed the London Convention against dumping radioactive waste at sea because of "the weight of international pressure", argued that "scientific evidence shows that dumping at sea under controlled conditions causes no harm to the marine environment".

However, at home, its own enthusiasm for recycling has come under similar attack. NAWDC argues that while recycling aluminium cans saves energy, recycling plastics does not – a conclusion which Dow Chemicals supports.

According to Webb: "Politicians concentrate on household waste because people like to be told to recycle." But household waste makes up only 20m tonnes – around a seventh – of the total, including industrial and commercial waste.

The consequences of shaping complex regulation with too little regard to the underlying science are serious, however: an extra burden on industrial costs that could harm competitiveness.

True, the sharp differences in landfill costs between countries (see table) are partly the result of local geography. In the Netherlands, fears of polluting the water table mean that landfills are scarce while in the UK, geology and extensive quarrying for building materials have left a large number of suitable holes to be filled in, and landfill absorbs around 85 per cent of waste.

But the disparities are also due to the strictness of regulation. Waste companies this week warned the UK government that its proposed waste management rules could add a third to landfill costs, and proposals for a EU landfill directive would have an even greater impact.

Perhaps the best example of the difficulty of judging the impact of waste regulation is the German packaging recycling scheme. The mandatory recycling targets pushed Duales System Deutschland, the scheme operator, into near-bankruptcy and mounds of unwanted paper and plastics were sent across the German borders.

Politicians have appeared tolerant of the environmental lobbies, which have gradually ruled out cheap ways of disposing of waste. But the enthusiasm for recycling in particular shows how their impulses can too easily lead to rules which are expensive and even environmentally damaging.

David Pearce, a leading environmental economist and former adviser to the UK government, points out adeptly in his recent book, *Blueprint 3 – measuring sustainable development*, that waste disposal is an area where governments have been particularly poor in weighing up costs and benefits. The risk, he warns, is that their strategies lead to inefficiency and a waste of resources.

Some of the legislation in the pipeline – in particular the EU packaging directive – offers a chance to remedy those flaws. But in general, waste management is a case of politics running too far ahead of economics and science.

Next week's article focuses on Japan.

Bronwen Maddox examines the debate surrounding waste disposal around the world, in the first of a series

Politics ahead of science

Landfill pricing (per tonne)*

Country	Range
France	£20-36
Germany	£40-60
Italy	£40-60
Finland	£14-29
Neths	£26-70
UK	£8-18
Spain	£2-10
Sweden	£10-43
Australia	£3.50-12
New Zealand	£12-18
US	£10-44
Latin America	£2-4
SE Asia	£1.50-5

* Municipal solid waste

Composition of municipal waste 1990 (%)

	Paper and paperboard	Plastics	Glass	Metals	Food and garden	Other
US	38	8	7	8	25	14
Japan	38	11	7	6	32	6
France	31	10	12	6	25	16
Spain	20	7	8	4	49	12
Sweden	44	7	8	2	30	9
UK	37	10	9	7	19	18
Hungary	22	6	6	5	–	61

Source: OECD/Industry estimates

The enthusiasm for recycling shows how politicians' impulses can lead to rules which are damaging

Buddhists clash with hoteliers

Emiko Terazono on efforts to preserve Japan's ancient capital

Walking through the dark wooden gates of Kouryuji, Kyoto's oldest Buddhist temple, visitors are greeted by a sign politely refusing entry to those staying at the Kyoto Hotel.

The temple is one of 1,000 in Japan's ancient capital embroiled in a longstanding row with the city's oldest luxury hotel. The Kyoto is being rebuilt into a high-rise structure due to be completed this summer.

For the past three years, the Kyoto Buddhist Association has been protesting that the height of the new hotel – 60m – could detract from the skyline of the ancient religious and cultural city.

"Of course we can't really check where people are staying, but it's our way of standing our ground," says Chikou Kiyotaki, Kouryuji's chief priest.

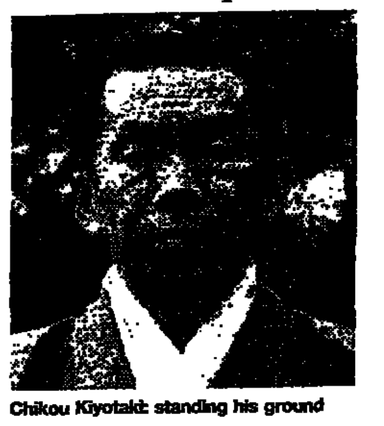
"The Japanese are destroying with their own hands even what the Americans chose to preserve," he says, referring to the decision by the US air force during the second world war not to bomb Kyoto's numerous temples and gardens.

In 1988, restrictions on the height of buildings in Kyoto were eased from 45m to 60m in an effort to boost development and investment. But Akira Nakajima, a lawyer and leader of a group of residents against the urban development of Kyoto, says the height restriction had protected the view of the mountains surrounding the city.

The Buddhist monks lost a lawsuit against the hotel in 1992, but have continued to apply pressure. They have been calling for the disclosure of the city's approval procedures for buildings. Last year the city council announced new construction laws to protect certain areas around historic foundations.

Meanwhile, the city's efforts to revitalise the industrial area south of the city, including the reconstruction of Kyoto station, have met with controversy.

Kyoto's business community regards the new station as the main celebratory project of the city's 1,200th anniversary this year. The city council and local businessmen asked seven leading architects, including the late Sir James Stirling and Peter Busmann, to submit designs for the station.



Chikou Kiyotaki: standing his ground

A 400m-wide by 60m-high glass and concrete avant garde structure designed by a Japanese architect was chosen.

Norihisa Taniguchi, managing director of the station planning company, says the building, which will be completed in 1996, will become the new symbol of the city – the "Eiffel Tower of Kyoto".

The group in support of development in central Kyoto claims residents have the right to a normal city life. "People don't want to live in old wooden houses and become victims of construction restrictions," says Takeshi Tanaka, managing director of the Kyoto Hotel.

He claims the city is experiencing a population drain, especially with university campuses moving out due to building height limits, taking the students with them. Nakajima argues, however, that development in the city is driving people away, adding that it should "not be just about building high-rise buildings". He says the city planners of Kyoto lack a comprehensive vision of what the city should look like.

Although temples around the foot of the mountains surrounding the city have remained unscathed, many in central Kyoto have not. The wave of urban development during the economic "bubble" in late 1980s enabled developers to construct office buildings and condominiums around the small temples and shrines in the centre of the city.

Kiyotaki offers the pro-development camp a few words for contemplation: "If Kyoto ceases to become Kyoto, who will want to visit?"

PEOPLE

Fisons finds FD in Hankinson

Fisons has concluded the long search for a finance director by appointing David Hankinson, formerly of Ranks Hovis McDougall and Lucas Industries.

Hankinson, 54, is a well-known figure among the ranks of finance directors. He achieved some prominence a year ago when he left RHM on its takeover by industrial group Tomkins, only five months into a three year contract earning £160,000 a year. This came less than a year after he left Lucas Industries with a £352,000 handshake.

From 1989 to 1993 he was finance director at Lucas Industries and, between 1986 and 1989, finance director at Rover group holdings. He left

when the government sold its stake in the company to British Aerospace.

Hankinson graduated in law from Cambridge and qualified as an accountant with Arthur Andersen. After 11 years there, he joined Midland bank as a financial controller and moved on, via George Wimpey, to Guthrie Corporation, his first finance director post in 1979. He worked at Wilkinsons Sword and Chloride before Sir Graham Day headhunted him to be group finance director at Rover.

Fisons has been hunting for a finance director since the early retirement of Roy Thomas in December 1993. It is still seeking a chief executive – Cedric Scroggs was ousted in December 1993 when the company issued a profits warning. "A number of candidates" have been seen and the search is continuing, Fisons said yesterday. (See Observer)

Constructive careers

Gerald Kaye, a former director of London & Edinburgh Trust, has been appointed development director of Helical Bar, which has development schemes planned in Cardiff, Edinburgh, Leeds, Manchester, Coventry, Guildford, Theale, Camberley, Hayes and Bristol.

Kaye, 35, is a chartered surveyor who started his career at Knight Frank & Rutley where he specialised in office development consultancy. In 1986 he joined London & Edinburgh Trust, the property developer that was later sold to SPP, the Swedish insurance group.

He spent the past two years as chief executive of SPP LET Europe, and was responsible for a £250m European investment portfolio in Austria, France, Germany, the Netherlands, Italy, Portugal and Spain.

The most recent developments he has been involved with are the 100,000 sq ft Almack House in London's St James, which was forward sold to the Dutch fund PGGM and the 85,000 sq ft development of Agriculture House in Knightsbridge, forward sold to Credit Foncier de France.

Helical Bar is increasing its development activity with the aim of creating profits for reinvestment in high yield retail and industrial portfolios.

■ *Terry Roydon* has been appointed deputy chairman and chief executive of PROWTING; he is succeeded as group md by David Brill, chairman of Galliford Homes. David Brill, md of Galliford Homes, has been appointed a director of Prowting following its acquisition of Galliford. Tony Betney, md of Galliford (UK), has been appointed to the main Galliford board.

■ **Tony Davies** and **Ian Franklin** have been appointed directors of EBC GROUP.

Charter acquires directors – only

Charter, the industrial group, has named three new non-executive directors – but denied that their identities gave any clue to the group's well-flagged intention of making a substantial acquisition.

Charter was left with about £150m in cash after unwinding its links last year with Anglo American Corporation, the South African mining group.

Sir Chips Keswick, joint deputy chairman of the merchant bank Hambros, is retiring after six years as a non-executive director. Jeff Herbert, Charter's chief executive, says Sir Chips had been appointed to the board to represent the South Africans, but had agreed to stay on until the restructuring process was completed.

Sir Chips's role as City heavyweight will be filled by Peter Allen, who will join the board as a non-executive when he retires from Coopers & Lybrand at the end of April. Allen, 55, has worked for the accountancy firm since 1963. He became managing partner in 1985 and was appointed deputy chairman in 1990.

The two non-executives appointed with immediate effect are John Neill and Neil Johnson. Neill, 46, is chief executive of Unipart Group and has considerable experience in the automotive supply industry. Johnson, 44, has spent most of his career in engineering. He was formerly director-general of the Engineering Employers' Federation, following a period with British Aerospace. He is general secretary of the RAC.

Herbert says the background of neither man gives a lead on his plans to add an extra leg to Charter's businesses, which supply equipment to the mining and rail industries, and building products, including quarrying. He says: "Both have considerable experience in industry – that is the important thing. They are also slightly younger – which should give them more energy."

Charter believes most quoted UK companies look overvalued and is more likely to buy a division from a multinational or consider countries where companies are on a lower rating. Herbert says: "We have been casting our net a bit wider. There are several interesting things we are looking at right now – but we've been doing that for some time."

Non-executive directors

■ **Sir John Banham** became chairman of TARMAC yesterday and **Sir Eric Pountain** retired.

■ **Sid Taylor** as deputy chairman at BENSONS CRISPS.

■ **John Rawlings**, formerly deputy chairman of Morgan Grenfell & Co. at HENRY ANSBACHER.

■ **Nigel Wray** as chairman at CARLISLE GROUP.

■ **Robert Phillippe Hoegen** at CALOR GROUP; **Folkert Schukken** has resigned.

■ **Ian Stewart**, former chief executive of British Ever Ready, at FINELIST, automotive parts distributor about to be listed.

■ **Stuart Macdonald**, the former chief executive who became non-executive last September has resigned from The SCOTTISH HERITABLE TRUST.

■ **Anthony Fay**, chairman of ERA Group and Reynolds Medical Group, at BSS GROUP.

■ **Richard Westcott**, a former director of Warburg Securities, at HERRING BAKER HARRIS GROUP.

■ **Paul Seymour**, former chief executive of Laurentian Financial Group, at MARLBOROUGH STIRLING GROUP.

■ **Peter Bishop** has retired from API GROUP.

■ **Gareth Davies**, chairman of Glynwed International, and **Frances Elliott**, public affairs director at Tesco, at MIDLAND INDEPENDENT NEWSPAPERS.

■ **Tony Mitchard**, chief executive of Avon Rubber, at SLATEBOND.

■ **Ronald Armstrong**, chief executive of Pera International, **Peter Williams**, chief executive of David S Smith (Holdings), and **Brian Williamson** (below left), chairman of Gerrard & National Holdings and a member of the SIB, at ELECTRA INVESTMENT TRUST.

■ **Kate Atchley** (below right), chairman and chief executive of Kato Communications, at PORTFOLIO FUND MANAGEMENT.

Theatre

The 3 Lives of Lucie Cabrol

Watching the performers in Theatre de Complicite's current production, *The 3 Lives of Lucie Cabrol*, you can see what extraordinary performers all seven of them are. The show reveals also how well the company creates theatre in umpteen different ways – by using movement, speech, music, lighting, props, scenery. But what is best is how all this virtuosity and variety are directed simply into telling the story. And, though the story is modern (written by John Berger), you follow this Complicite version as intensely as you read a Grimms' fairytale.

Lucie Cabrol, the story's heroine, is a tough, tiny, gnarled daughter of the soil – and an embodiment of whatever is indomitable about the European peasant spirit. Born in 1900, she lives through both world wars, working the land, and living off it. Some village men depart for war, for Paris, for the Americas, and of them a few are killed and injured. Other men stay and work the land, including two of Lucie's brothers, who betray her and finally, when she is in her 40s, turn her out. So ends Lucie's first life.

The Complicite production tells this narrative with wonderful seamlessness. We hear of wartime deaths; we see the labourers at work on the land with their scythes; and, of course, the double meaning of "scythes" strikes home. Lucie herself, is as sharp and strange and aggressive as a figure from myth – Rumpelstiltskin, or Puck.

Lucie's second life is as a loner, living outside the village, selling mushrooms and berries, smuggling cigarettes at a profit, hoarding her profits vindictively. (The way we see her pluck unseen berries, from human "branches", and store unseen mushrooms in her skirts, is one of the show's brightest details.) Jean, the man who got away without marrying her, returns, and she tells him of her life. She is so tough – and so determined even now to marry him – that we think she will live forever; but no. The third life of Lucie Cabrol is as a ghost, claiming Jean from beyond the grave like some bizarre old goblin Cathy haunting some old minor-league Heathcliff.

The 3 Lives of Lucie Cabrol is not a perfect show. A few elements of the story are unclear and the scenery for the finale sets up a stronger parallel to the Crucifixion than the story can sustain. The taped (very cinematic) sound accompaniment by Christopher Shutt is sometimes too intrusive and too crude.

Even so, this is one of the most riveting pieces of theatre to be seen in Britain today. Lilo Baur's impersonation of Lucie has a terrific force (if played occasionally too much for effect); and, as Jean, Simon McBurney gives the most remarkable performance amid a remarkable ensemble. (No wonder, for he, with Mark Wheatley, adapted the story; and he has directed the whole staging.) Somehow he manages to be aged before his time, perplexed, sensitive, and huggable, all at the same time. While Lucie, at the climax of her stormy narration, pours out, on her knees beneath the Madonna, her angry frustrations, the most affecting thing of all is how way McBurney, sitting and watching her awkwardly, simply shifts his weight. He becomes the heart of the story and the production.

Alastair Macaulay

At Riverside Studios, W6, 081-748-3354, until April 9.

Opposite ends of the spectrum: Norman Tebbit and Austin Mitchell on Sky News' political discussion programme 'Target'; and Omar Sharif in made-for-TV series 'Red Eagle', Sky 1

Television/**Christopher Dunkley**

What you see when the Sky's the limit

It is 10.30 on Saturday morning and on screen a black woman is shouting "Git yo' arse up boy!" Zap to the next channel and you find a singing cowboy: "Theer's a honky tonk on ther edge 'o town," he moans. Zap on again and you find yourself looking at a big close-up of a jewelled ring. "It's a convenient ring to wear at any time," says a woman with an estuary accent. Which ring isn't, you wonder, as you note the price: £114 plus £3.50 p&p. Flick forwards once more and you see three teenagers sitting at a table. "The Revenoo Act of 1797 was innerdooced ter replace the Stamp Act," says one. His friend who is drinking milk through a straw laughs and the milk shoots out of his ears.

This is satellite television. The black woman is on the pop video channel MTV. The cowboy appears to be on the Discovery channel which specialises in old American documentaries, but their transponder is being shared by CMT (Country Music Television). The convenient ring is on QVC, a shopping channel which, astonishingly, you cannot watch without paying a subscription, even though its output consists solely of sales pitches from a team of cloned presenters. The ear trick occurs on the American children's channel Nickelodeon.

If your satellite dish, like most, points at the Astra satellite you can now receive 48 channels in addition to BBC1, BBC2, ITV and C4. Depending upon the time of day, anything between 20 and 30 of these will be in foreign languages, nearly all German, though Galavision is Spanish, JSTV Japanese, and TV Asia, which piggybacks on the transponders of Nickelodeon and Sky Movies Gold, is in various Asian languages. On most days, at times when most people are free to view, there are now 17 satellite channels delivering programmes in English. Eleven of these are entirely or predominantly American: Bravo (old movies), Children's (many cartoons), CNN (news), Discovery & CMT, Movie Channel, MTV, Nickelodeon, Sky Movies, Sky Movies Gold and Sky 1. The services which can reasonably be called British are the shopping channel QVC, Sky News, Sky Sport, UK Gold (showing old British TV series) and the women's channel, UK Living. Eurosport is international.

About 3.5 million people in Britain live in homes which have paid to get access to these extra services, mostly via dishes, though a minority are served by cable. The main channel provider is, of course, Rupert Murdoch's News International via its satellite television outfit, Sky, in which Pearson (owner of the FT) has a significant stake. Since Sky scrambled most of its channels last summer and began charging subscriptions varying from £7 to £20 a month for different "packages", more and more people have been paying a monthly fee for this form of extra television. The smallest package costs £83.88 a year which is more than the BBC licence fee. If you take the whole Sky package the annual fee is £239.88.

Yet the remarkable fact is that the people who pay these prices still spend much the larger part of their viewing time watching the old terrestrial channels. Using the BARB figures jointly issued by the BBC and commercial television for the week ending February 13, the most recent available, it is possible to construct the following "Top 10 Channels" list based on audience share inside satellite and cable equipped homes:

1. ITV: 29.9 per cent
2. BBC1: 26.0 per cent
3. C4: 7.7 per cent
4. BBC2: 5.8 per cent
4. Sky 1: 5.8 per cent
6. Sky Movies: 3.8 per cent
7. Movie Channel: 3.6 per cent
8. Sky Sports: 2.9 per cent
9. UK Gold: 2.3 per cent
10. TNT/Cartoon: 2.1 per cent

This accounts for 89.9 per cent of viewing. The other 10.1 per cent is split between the other satellite channels with Sky News, for instance, taking 1.1 per cent and the Family Channel 0.4 per cent. Thus even in homes where the satellite is available, the four old terrestrial channels take a 69.4 per cent share while the dozens of satellite channels all put together achieve only 31 per cent. Why? The fashion now among the satellite people is to argue that we should not see their channels as alternatives but merely as adjuncts. There is some strength in this where the specialised channels are concerned: viewers can be expected to dip in and out of Sky Sport or The Movie Channel and not watch them as they might watch, say, BBC1. The same hardly applies to Sky 1, however, which set out to be a general entertainment channel capable of challenging similar channels. Yet it only manages to match BBC2's share.

The satellite does offer items unavailable elsewhere. Once you have the service in the house, Sky News and CNN quickly become your first reference points for breaking news: you do not have to wait for the fixed bulletins at 7.00 pm or 9.00. In the past week I have seen, on UK Gold, the final episode of *The Hitch Hiker's Guide To The Galaxy* which I missed twice on the BBC. On Sunday night the Movie Channel screened *The Lover*, a film which some would regard as soft porn but others might say was a non-violent *Ai No Corrida*. It certainly has enough explicit eroticism to ensure that the strait-laced terrestrial channels will not show it. For those who can take the tedium, the German channels regularly offer a teutonic type of *Carry On* movie featuring much lederhosen and bonking; since the dialogue is irrelevant it is no disadvantage to speak no German. And the Sky News political discussion, *Target*, with Norman Tebbit and Austin Mitchell interrogating somebody, is nearly always good value.

Is that enough to justify the extra outlay? Almost certainly not in most ordinary homes. It is not an inspiring experience to switch to the satellite, zap through 20 or 30 channels, and find that virtually all of them are showing old American material featuring, naturally enough, American accents and American values, from guns to god.

Between 7.00 this evening and 1.30 tomorrow morning Sky 1 offers nine series, all bought secondhand from the US, and nothing else. I had hoped to be able to add that the first major drama to be commissioned by Sky 1, an adaptation of the Ken Follett thriller *Red Eagle*, screened in two-hour chunks on Sunday and Monday, proved that matters were improving. Unfortunately, although the locations and credits said "Money!", this was a distressingly poor piece of work, badly directed, brimful of clichés, and badly acted.

Matters can only improve, surely.

A Greek tragedy in Moscow

Arkady Ostrovsky reviews 'The Oresteia'

The German theatre director Peter Stein could hardly have found a better venue for the ancient Greek tragedy, Aeschylus's *Oresteia*, when he arrived in Moscow: the stage of the "Central Theatre of The Soviet Army".

Just as in Aeschylus's times when the audience would spend the whole day in theatre, Stein's production of *The Oresteia* lasts 9½ hours. The theatre works as an ideal set; it seems only natural when the great warrior Agamemnon appears on this stage decorated by military symbols. On stage is a high black wall with a big door in the middle. Every entrance or exit through the door brings tragic news or death to the city of Argos, represented by a chorus of 12 men dressed in black coats.

All the leading parts are played by the same actors who make up the chorus. Each actor in turn steps out of the crowd in order to play his part. The black wall sets off the appearance of Clytemnestra (Ekaterina Vasilyeva). She is the only one who never steps back into the chorus – she stands out, not only as a character, but as an actress as well.

The killing of Agamemnon and Cassandra is one of the best scenes in the whole production. According to the rules of Greek drama the killing takes place behind the black wall, inside the house. We see only the result. Soiled with blood, Clytemnestra appears on the moving platform. The dead bodies of Agamemnon and Cassandra lie at her feet. Blood slowly streams from the platform onto the floor. Clytemnestra's monologue is accompanied by the monotonous sound of dripping blood; by the end of her speech it makes a big puddle.

Vasilyeva's Clytemnestra is a mixture of goddess and barbarian. She stands, with feet wide apart in black stockings, with a tucked up skirt; her white shirt is tied in a knot. Clytemnestra has been waiting for this moment for ten long years, since Agamemnon killed their daughter, Iphigenia. She holds a sword and smiles, probably experiencing the same feeling of satisfaction as Agamemnon did when Troy fell.

For her, the killing of Agamemnon is justified and fair. After her monologue, it seems fair to the audience also. In fact, every murder in this tragedy is justified; but the pool of blood threatens to engulf them all.

Unfortunately, however, the tragedy ends when the actress disappears from the stage. All that happens after this resembles a Christmas pantomime. Athena flies like a fairy across the stage in a silver dress; Apollo appears in a laurel wreath, with a lyre in his hands; the badly made-up Furies run up and down the stage as if trying to frighten bad boys and girls who fail to listen to their parents.

All this seems totally divorced from the previous two parts. Apollo here is a trivial joker, who would hardly be capable of sending Orestes off to kill Clytemnestra since he is too busy making cheap comments about the jury and flirting with Athena. Members of the jury behave like the Russian parliament and the whole trial scene turns into a rather primitive skit on Russian political life.

Stein, in apparently deciding to "update" this great tragedy, made a mistake: Russian audiences no longer appreciate superficial political hints in the direction of the government. Paradoxically, the high tone of Ekaterina Vasilyeva's acting reveals much more about the problems of the modern world than any of the Apollo's cheap jokes.

In Moscow, then goes on tour in Germany

Welsh head quits

Matthew Epstein, general director of Welsh National Opera, resigned yesterday, St David's Day, writes Antony Thornecroft.

He gave as his reason the parlous financial state of the WNO. "This year's funding decision, and those intimated for the future, are simply not acceptable in the face of the WNO's record of international artistic success and acclaim."

Epstein, an American, led the WNO for just under three years. He recently announced redundancies and cancelled productions brought about by a deteriorating financial situation.

Taken with the threats of Simon Rattle to quit the CBSO for similar reasons it will put pressure of Peter Brooke, Heritage Secretary, to raise arts funding.

INTERNATIONAL

ARTS GUIDE

■ BONN

Oper Tonight: Dennis Russell Davies conducts Gian Carlo del Monaco's production of *Les Contes d'Hoffmann*. Mon: Eva Lind song recital. March 13: first night of new ballets by John Butler and Youri Vamos, music by Carl Orff. Davies takes Orchestra of the Beethovenhalle on tour to the US from March 5 to 23 (0228-773667)

■ COLOGNE

Philharmonie Tonight: Antoni Wit conducts Polish Radio Symphony Orchestra in works by Wojciech Kilar, Chopin and Brahms, with piano soloist Babette Hierholzer. Fri Labeque Sisters piano recital. Sat: I Musici di Roma plays baroque concertos. Sun morning, Mon and Tues evenings: John Fiore conducts Gürzenich Orchestra in Brahms, Prokofiev and Strauss, with piano soloist Hae Jung Kim. Sun afternoon: Borodin Quartet. Sun evening: Gidon Kremer and friends. March 11: London Philharmonic. March 12: Maazel conducts Bavarian Radio Symphony Orchestra. March 13: Harnoncourt conducts Chamber Orchestra of Europe. March 16: Sawallisch conducts Vienna Symphony Orchestra. March 20: Andras Schiff. March 23: Alfred Brendel (0221-2801)

Opernhaus This month's repertory includes Rigoletto with Leontina Vaduva as Gilda, Fidelio with Ben Heppner and Lisbeth Balslev, Jochen Ulrich's choreography of Peer Gynt and Harry Kupfer's production of Shostakovich's The Nose (0221-221 8400)

Schauspielhaus A new production of Camus' Caligula, directed by Werner Schroeter, opens on Fri. Repertory also includes Shakespeare's As You Like It and Günter Krämer's radical version of Fiddler on the Roof (0221-221 8400)

■ DRESDEN

Semperoper A new production of Handel's *Belshazzar* opens on Sun, conducted by Jörg-Peter Weigle and staged by Harry Kupfer, with a cast including Iris Vermillion and Jochen Kowalski. Repertory includes Elektra, *La boheme*, Der fliegende Holländer and Prokofiev's ballet Romeo and Juliet (0351-484 2323)

■ DUSSELDORF

Deutsche Oper am Rhein A new production of Parsifal opens on Sun, conducted by Ralf Weikert and staged by Kurt Horres, with a cast headed by Wolfgang Schmidt and Kurt Moll. Repertory also includes La boheme and Swan Lake (0211-890 8211)

Schauspielhaus A new production of Kleist's *Amphitryon*, directed by David Mouchtar-Samorai, opens on Sat in the Kleines Haus. *Repertory includes* Shakespeare's Romeo and Juliet, Lorca's The House of Bernarda Alba and Brecht's Mr Puntila (0211-369911)

■ FRANKFURT

Alte Oper Tonight: Christian Tetzlaff, accompanied by Leif Ove Andsnes, plays violin sonatas by Mozart, Ravel, Janacek and Grieg. *Tomorrow and next Wed: Borodin* Quartet plays Shostakovich. Fri: Ivo Pogorelich piano recital (069-134 0400)

Jahrhunderthalle Hoechst Tomorrow: Antoni Wit conducts Polish Radio Symphony Orchestra in works by Wojciech Kilar, Chopin *and Brahms*, with piano soloist Babette Hierholzer (069-360 1240)

Oper This month's repertory consists of Simon Boccanegra with José van Dam in title role, Peter Mussbach's production of From the House of the Dead and Herbert Wernicke's new staging of Duke *Bluebeard's Castle*, opening on March 13. All are conducted by Sylvain Cambreling (069-236061)

■ HAMBURG

Staatsoper This month's repertory includes a new production of Henze's Die Bassariden, conducted by Markus Stenz and staged by *Christine Mielitz*, and a Ring cycle with casts headed by Gabriele Schnaut, Simon Estes and Siegfried Jerusalem. Anna Tomowa-Sintow sings the title role in Ariadne auf Naxos on Fri, and Dmitri Hvorostovsky gives a song recital on March 21 (040-351721)

■ LEIPZIG

Opernhaus Tonight, Tues: Stravinsky ballet programme choreographed by Uwe Scholz. Tomorrow: Il barbiere di Siviglia. Fri: two Scholz ballets. Sat: Don Giovanni (0341-291036)

Gewandhaus Tomorrow, Fri: Kurt Masur conducts Gewandhaus Orchestra in works by Tchaikovsky and Schubert, with violin soloist *Sarah Chang*. *Sat: an evening with* Peter Ustinov. Sat (Kleiner Saal): Olaf Bär song recital. Sun: Philippe Entremont is conductor and piano soloist with MDR Chamber Philharmonic in works by Schubert, Mozart and Haydn. Mon: Masur conducts opening concert of 1994 *Leipzig Trade Fair*. Tues: Karl Österreicher conducts MDR Symphony Orchestra in works by Richard Strauss and Franz Schmidt (0341-713 2280)

■ LYON

Opéra Robert Carsen's widely-acclaimed Aix production of Britten's A Midsummer Night's Dream can be seen on Fri, Sun and next Tues. Neville Marriner gives concerts with the Academy of St Martin in the Fields on Sat and Mon, and conducts Mozart's Il re pastore on March 16, 18 and 20. James Bowman gives a recital on March 15 (tel 7200 4545 fax 7200 4546)

■ MONTE CARLO

Salle Garnier Fri, Sun afternoon, next Tues: new production of Stravinsky's Oedipus Rex and The Nightingale, staged by Petrika Ionesco and conducted by Lawrence Foster, with casts *including Lucia Valentini-Terrani*, Vinson Cole and Renato Bruson (9216 2299)

■ MUNICH

Staatsoper This month's repertory includes Lady Macbeth of Mtsensk with Marilyn Schmiege as Katerina, Madama Butterfly with Miriam Gauci and Peter Dvorsky, Der fliegende *Holländer with Robert Hale and Julia* Varady, John Cranko's ballet Onegin and Peter Wright's production of Giselle. *Richard Jones'* new production of Giulio Cesare opens on March 21 (089-221316)

Gasteig Tonight: Ivo Pogorelich piano recital. Tomorrow, Fri: Lorin Maazel conducts Bavarian Radio Symphony Orchestra in works by Dallapiccola, Bach and Strauss. *Sat: Georgian Chamber Orchestra* plays Haydn, Mozart and Saint-Saens. Sun: Sinfonia Varsovia plays Brahms and Mozart (089-4809 8614)

OSLO

Konserthus Tomorrow, Fri: Hiroshi Wakasugi conducts Oslo *Philharmonic Orchestra and Chorus* in Grieg's complete music for Peer Gynt. March 16, 18: concert performances of Bellini's *Norma*. March 17: Academy of St Martin in the Fields (2283 3200)

■ STOCKHOLM

Royal Opera The main event this week is the premiere tomorrow of a new production of La Bayadère, choreographed by Natalia Makarova (repeated March 4, 5, 9, 10, 11, 24, 25, 26, 29, 30). Repertory also includes La boheme and Glen Tetley's ballet The Tempest (08-248240)

Berwaldhallen Niklas Willen conducts Swedish Radio Symphony Orchestra in two programmes this week - works by Söderman, *Stenhammar and Alfven* tomorrow and Fri; Brahms, Hummel and Alfven on Sat afternoon, with trumpet soloist Hakan Hardenberger (08-784 1800)

■ STRASBOURG

● Nederlands Dans Theater presents choreographies by Jiri Kylian tonight and tomorrow at Théâtre Municipal. Andreas Schmidt *sings Schubert's Schwanengesang* on Sat (8875 4823)

● Theodor Guschlbauer conducts a concert performance of Tristan und Isolde on Sun afternoon at Palais de la Musique, with Gabriele Schnaut as Isolde (8852 1845)

■ STUTTGART

Staatstheater Tonight, next Thurs and Sun: Maurice Béjart's choreographic version of Die Zauberflöte. Tomorrow: Don Giovanni. Fri, Sun, next Tues: *revival* of Achim Freyer's production of Der Freischütz. Sat, Mon: Marcia Haydée's version of Glazunov's ballet Raymonda (0711-221795)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Ian Davidson

Heads in the sand

The UK's Conservatives should be concentrating on Europe

Mr Douglas Hurd, UK foreign secretary, sometimes claims that Britain is "winning the argument" with its European partners over the future shape of the European Union. It is not entirely clear how he reaches this conclusion. What is clear is that most of the other broadly based Conservative parties in Europe have signed up to a manifesto for this year's elections to the European Parliament which is at odds with the beliefs of the UK Conservative government.

Europe's Christian Democrats have issued a manifesto explicitly calling for a federal Europe, including a single currency and a European constitution. But even before it was published, Mr Hurd was busy assuring UK Conservatives that *their* manifesto would be totally different, totally British and totally non-federal.

This beautifully British manifesto is slow to appear. Not merely do the UK Conservatives not agree with those who ought to be their natural partners across the Channel, they do not agree with each other: it is not easy to draft a text which straddles the deep gulf between the Europhobes and the relative Europhiles. Inside sources say the compromise version will be virtually devoid of content, because the party cannot agree a positive policy position on Europe.

One can see the Conservatives' problem. They were bruised by the interminable struggle over the ratification of the Maastricht treaty, and they are in no hurry to grapple in public with those controversial issues once more. And since they cannot fight the European Parliament election campaign on an enthusiastically pro-European platform, they will try to fight it on an enthusiastically anti-Socialist platform.

"We must avoid a debate about 'Europe – right or wrong'," says a party intellectual. "Therefore, we must engineer a debate about 'Europe – right or left'."

This will be a difficult trick to turn: the campaign is more likely to turn on the unpopularity of the government at home than on any European issues. But even if it succeeds, it might not be to the advantage of the Conservatives.

The paradox is that Europe's Socialist parties once fiercely combated European integration as a big business ramp. But they have come round to thinking it may have something for them after all, in the form of quasi-Socialist palliatives, such as the Social Chapter of the Maastricht treaty, or a strengthening of democracy at the European level.

Most British Conservatives, by contrast, seem to have a deep aversion to the Europe that is emerging, and are consequently unable to come up with a creative approach to the opportunities it offers. This is a great pity. Not because any great European issues will be decided by this year's election campaign to the European Parliament, but because history is thundering down on us, and the Conservatives will not be able to deal with it by averting their eyes.

They will soon have to face all the Maastricht issues again, and stakes will be higher

They want to forget all about the Maastricht treaty, and pull the bedclothes over their ears. But in the 1996 review conference, which is less than two years away, they will have to face all the Maastricht issues once more, and by then the stakes will be much higher.

Take the plan for economic and monetary union. Mr John Major, UK prime minister, says it is as illusory as a rain dance. But by the 1996 review conference, it will be clear that a large central core of the Union is still determined to go for a single currency; and it will not be deterred by the reluctance of the also-rans. What will the Conservatives say then? They do not know; they merely hope it cannot happen; but that's not a policy.

Or consider the Maastricht project for a common foreign and security policy for Europe. The UK's Conservatives want to put brakes on it, in the belief that they can hang on to the old familiar ingredients of British foreign policy: national independence, the alliance with the US, and the integrated Nato organisation. Unfortunately, the world is not like that any longer.

In the US this week, Mr Major has been trying to resurrect the "special relationship", and President Bill Clinton has humoured him with some friendly TV exposure and an overnight stay in the White House. But recent events belie these flattering gestures.

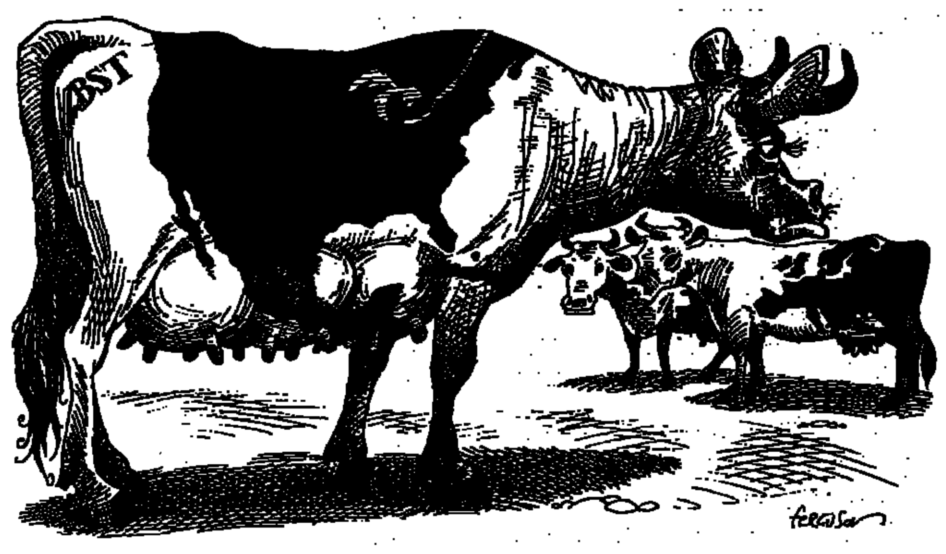
When the US president gave a temporary visa to Mr Gerry Adams, president of Sinn Féin, it was not to advance the peace process in Northern Ireland; it was to advance domestic support for his healthcare programme in the US. Mr Clinton does not care about a 400-year-old colonial conflict in Ireland; why should he?

Or take Bosnia. After the mortar attack on the Sarajevo market, the US president virtually threatened a diminution of US support for Europe's defence if Britain did not agree to the new policy of bombing the Serbs. Since the US has hitherto done its best to keep well away from any engagement in the Bosnia conflict, and shows no sign of being prepared to get more deeply engaged in the future, his warning can only be taken as a disturbing indicator of the depth of his administration's commitment to Europe.

This might not matter if we could look ahead to a long era of peace and sunlit security. In fact, events in Russia and some of its neighbours make it much more likely that we are facing a period of profound instability, and possibly danger. If President Clinton prefers to lead the western alliance from behind, in the case of a localised civil war in Bosnia, what will be his attitude in the event of bigger disturbances further east? We may not know the answer to that question. But a prudent politician would surely be looking for an insurance strategy in Europe, not begging for reassurance in a fading "special relationship".

A milk-boosting hormone is causing controversy, write Laurie Morse and Alison Maitland

Transatlantic row over a sacred cow



Last week, US supermarkets received the first deliveries of milk produced by cows which had undergone a new form of hormone treatment that greatly stimulates milk production.

The hormone, known as bovine somatotrophin (BST) and developed by Monsanto and other chemical companies at a cost approaching $1bn, is a manufactured version of a naturally occurring hormone. Marketed under the name Posilac, it has been hailed as an important advance in bio-engineering. According to the US Food and Drug Administration, milk and meat from cows who have been treated with it are safe and virtually indistinguishable from the normal product.

But these benefits have not prevented BST being swept up in a storm of controversy in the US as well as the European Union, where a ban on its use must be reviewed later this year. Fears about the hormone centre not just on the possible health effects, but also on the damage that a sudden surge in milk production could do to the subsidy-laden agricultural economies of Europe and North America.

Use of the hormone in the US was finally approved last November after decades of study and debate. At the same time the White House ordered a study of the potential impact on a market already struggling with milk surpluses. This showed that BST could boost US milk production by 1 per cent a year over the next six years. Unless BST triggered a big change in milk consumption patterns, the US government would be obliged by its dairy support programme to buy up almost all of the additional production at a cost over five years of more than $500m, an increase of 40 per cent in its annual dairy outlays.

Although farmers who are quickest to use the drug would enjoy a short-term profit boost, the study suggests that, as a result of larger and fewer dairy farms and increasing rural depopulation, the net economic effect over five years would be to reduce farm income by 1 per cent and shrink dairy herds by up to 30 per cent. Nor would the consumer benefit, because the subsidy payments would ensure that the retail price did not fall noticeably.

Resistance to BST has been building up for some time. Consumer and farm groups, led by Washington-based activist Jeremy Rifkin who heads the Pure Food Campaign, have staged protests and milk dumpings throughout the US. Ms Robin Douthitt, professor of consumer science at the University of Wisconsin, says that, while other bio-tech projects aim to produce a better tomato or a tastier potato, BST-treated milk brings no benefit to consumers; and because BST-treated milk is perceived as unnatural, it is seen as adding risk to a product generally considered as pure.

Fearing a consumer backlash, nearly 200 US food companies, including large grocery and convenience store chains and 14 dairy co-operatives, have asked their suppliers not to deliver hormone-enhanced milk for three months to give them a chance to assess the market impact. In the two top dairy states, Wisconsin and California, six school districts have asked that milk delivered to their cafeterias come from untreated cows.

However, consumers have few ways of ensuring that the milk they receive is from BST-free herds, and the US government, keen to support biotechnology, is making it difficult for processors to label their milk free of artificial hormone treatments by requiring them to prove their claims with detailed documentation. Monsanto is also suing two small dairy processors for using a BST-free label and has sent warning letters to others.

The launch of BST in the US raises doubts about whether the European Commission can continue to resist its use in Europe, where it is the subject of a four-year-old moratorium. Its use could also erupt into a transatlantic trade dispute, highlighting the potential clash between the ethics of food production and the pressure for unrestricted commerce under the new General Agreement on Tariffs and Trade.

BST has been swept up in a storm of controversy in the US and the EU

"The European Union emphasises quality, wholesome products rather than quantity," said a Commission official. "We're stronger on that than the US. The US tends to be more geared to market forces, competitiveness, economies of scale and technological innovation."

Brussels has no quarrel with the safety of BST for human consumption, but it is concerned about its use on environmental and economic grounds. It believes that consumers would see dairy products from cows injected with BST as adulterated and would respond by cutting down on all milk products. A German survey showed that dairy consumption would drop by 11 per cent if BST were introduced.

Mr Steve Emmott of BST Concern, a UK campaign representing farmers, environmentalists and animal welfare groups, says: "This is the first flagship of the biotechnology industry coming to the market. But we don't think BST is a useful way of using the technology … It's a product no one wants or needs apart from the manufacturers. We don't need surplus milk. And we don't need milk with genetically engineered hormones."

Until recently, Mr René Steichen, the agriculture commissioner, indicated that BST-produced dairy goods would not be allowed into the European Union while the moratorium remained in force. But US officials say any such ban is likely to be challenged, just as the US fought the EU's 1989 ban on imports of US meat produced with growth hormones. US dairy exports to the EU amount to only $45m a year. "But it's an issue of principle," said a US official. In any case, the US will have greater access to the European market for its dairy goods under the Gatt agreement.

The Gatt view is that an import ban would be difficult to justify, because products may in future only be challenged on strictly scientific criteria as opposed to social or ethical considerations.

However, the matter does not stop at an import ban. The White House report suggests that the US might challenge any extension of the EU moratorium. "For countries to ban BST use, after the hormone has been scientifically found to be safe, would undermine efforts to eliminate unfair trade barriers to US exports," it says.

At the end of the year, farm ministers must decide the future of BST in Europe. Last December, the Commission lost its battle to keep the moratorium on BST in place until 2000. The ministers agreed only to extend it until the end of this year, saying they wanted to monitor its impact in the US, the trade implications and the effect on European competitiveness.

To strengthen its hand, the Commission has assembled a long list of arguments against BST. It says that using the drug is not compatible with Common Agricultural Policy reforms designed to reduce milk output, and is likely to accelerate the trend towards bigger and fewer dairy farms and to lead to more cows being slaughtered and more beef cattle raised instead, adding to the beef mountain.

US officials counter that, if fewer cows are needed to produce a given amount of milk, BST helps the environment by cutting manure and methane production and the amount of water, land and chemicals used. They say a small well-managed farm could benefit as much or more from BST use as a big, poorly managed one.

However, the Commission is polishing up a new weapon in its armoury to keep the moratorium going. It argues that guaranteeing its dairy products free of BST could give the EU a competitive advantage over US exports – and even a chance to charge a premium – in world markets where BST is either not used or not appreciated such as in Japan.

"We didn't think of that," admitted a senior US agriculture official ruefully.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Competition forces radical restructuring at British Gas

From C.H. Brown

Sir, Your article (Lex, February 25) misses one fundamental point. British Gas has now lost 78 per cent of the firm contract market and, since August 1992, 33 per cent of the market between 2,500 and 25,000 therms.

In total this now represents a loss of 41 per cent of the market open for competition, compared with a Monopolies and Mergers Commission target of 45 per cent.

Furthermore, the company is prevented from defending its position because the playing field is artificially tilted against it. Finally, from 1996 onwards competition will be introduced to the rest of the market below 2,500 therms.

The company has taken firm management action by restructuring the business to enable it to compete effectively in these significantly changed circumstances. Clearly the market has changed dramatically and British Gas has changed rapidly to adapt. It is disappointing that your article appears to treat a serious situation so superficially.

C.H. Brown,
British Gas,
Rivermill House,
London SW1

Exec options that reward

From Mr David Ogden.

Sir, I have been following your recent reports on executive share options and believe a central point has been overlooked: the benefits to companies of this type of plan. Executive options can attract, retain, reward and motivate key employees at no cost to the company's profit and loss account and with no risk to the company or participant. The cash flow benefits of options can be particularly important in smaller, growing companies that need to reinvest cash. They can use options to attract high-calibre executives who are prepared to take a lower salary and the chance of share option gains.

Much of the recent criticism has been directed at the excesses of some option plans, neglecting the suitability of well-designed plans with allocation policies that have been given sufficient thought. Restricted shares may be appropriate in some cases but they have to be paid for out of profits and the gain is linked to the share price in the same way as an option gain. If the share price falls, the participant will not lose money. With an option, on the other hand, the share price has to rise for him to gain.

If the company follows the guidelines of institutional investors, the dilution effect of issuing new shares on the exercise of options is very small – only 5 per cent of the company's share capital can be issued for executive options granted over 10 years.

David Ogden,
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Democratic right of Swiss

From Dorian Selz.

Sir, As a Swiss citizen I felt rather uncomfortable reading your article, "EU up in arms over Alpine truck ban" (February 22). The Swiss people decided in a democratic vote to ban trucks from travelling through the Swiss Alps. That the EU now threatens Switzerland with retaliatory measures leaves me with the impression that the EU does not respect a result of a democratic decision.

This position will not make it easier for the new candidates (all rather small countries) to join the EU since, under the Maastricht treaty, decisions such as that taken in Switzerland would simply be overruled by an institution with weak democratic foundations.

But different opinions are also held within the EU. The former environment minister, Carlo Ripa di Meana, said he hoped this was "not an isolated case but a turn of the trend" in European transport policy.

Dorian Selz,
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PIA must tackle causes not symptoms of bad practice

By Mr Ben Goh.

Sir, It is inevitable that there will always be those who oppose change. Change can upset the status quo and threaten vested interests. The PIA's birth pangs have hardly started yet. Speaking as a compliance practitioner, the publication of the PIA's prospectus and how it intends to act as a regulator marks a significant milestone in the PIA's quest for recognition as the self-regulatory organisation by the SIB.

A major hurdle for the PIA to clear to gain credibility is how it proposes to tackle the causes rather than treat the symptoms of bad practice. One of the key issues is product bias, which a commission-based remuneration system produces, particularly since Lautro's maximum commission rules have been abolished. Product bias, if allowed to proliferate unchecked, threatens the core on which financial services regulation is founded – treating the client's interests as paramount even where there is a conflict of interest.

Given the choice, it will require a perfectly altruistic adviser or salesman to recommend a product that earns him less commission but is more suitable for the needs of the client. I suspect that in practice a "smart" adviser or salesman is likely to choose the product that will earn the highest commission possible and proceed to make a convincing case for recommending the product to the client.

If the PIA truly marks a new dawn, it must waste no time in tackling the causes of bad practice that is highly damaging to the reputation of the industry. If it can do this efficiently, then it should be able to face the future with equanimity and confidence. The pangs and upheaval caused by its birth would have been a price worth paying.

Ben Goh,
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Unitary authorities should not be forced on public

From Ms Josie Farrington.

Sir, John Authers is right to point out "Lack of consensus plagues councils shake-up" (25 February). I would like to clarify the Association of County Council's position.

Where local people prefer the present structure they should be allowed to do so, and all available opportunities should be taken to make that structure work better. New unitary authorities should not, as the Local Government Commission has said, be forced upon a public which does not support them. When asked to make choices, more people have cited a positive preference for the status quo. The recent judicial review successes of Derbyshire and Lancashire County Councils mean that the status quo is a firm option.

Change should only be proposed for any area with the full agreement of local people following a thorough review and consideration of the options. Your article assumes this case has been made in more areas than it has. In our view the review of local government should be conducted on a flexible and pragmatic basis.

Where the case for change is made and locally agreed, the ACC believes that unitary authorities need to be large and powerful enough to have effective strategic capacity; they should also be able to avoid the unaccountable joint arrangements which would recreate a worse two-tier system. Small unitary authorities without any other tier between themselves and national government would lead to a fragmentation of local government and its main services.

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FINANCIAL TIMES

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Wednesday March 2 1994

Tackling the settler problem

The *Middle East* has taken important strides towards greater stability in the past three years and it would be criminal folly to permit the act of one extremist to undo much of what has been achieved. The peace negotiations between Israel, the Palestinians, Syria, Lebanon and Jordan must *continue despite* the *massacre* at a mosque in Hebron last Friday.

But it would be politically naive to suppose that the Arabs, and particularly the Palestinians, can agree to a resumption of negotiations while passions in the Israeli-occupied territories are so inflamed. A measure of calm has to be restored, and some confidence instilled that there will be less risk of similar acts of barbarism in the future.

The greatest part of that responsibility lies with the government of Israel. Successive Israeli governments have permitted or vigorously encouraged Jewish settlers to establish themselves in the West Bank, Gaza Strip and Golan Heights, against the terms of the Geneva Convention and despite the condemnation of the world community, including the US. All recent incumbents of the White House have emphasised that they consider the settlements to be an obstacle to peace.

They become even more of an *obstacle when provocatively* placed in the heart of, or very close to, substantial Palestinian population centres. Baruch Goldstein, who carried out the Hebron massacre, lived in such a settlement along with other fanatics whose declared aim is to sabotage the peace process.

Too modest

The measures announced by the government against a handful of settlers since the massacre seem far too modest to ensure a significant improvement in security for Palestinians. Less than 100 people have been banned from carrying weapons under new government restrictions. Other armed settlers, many of whom are army reserv*ists, are still free to walk the* streets of Hebron and other Palestinian towns. The risk of another Goldstein being among them cannot be ignored.

The best way of reducing that danger is for the government immediately to order the closure of those few settlements sited in the most sensitive areas of Palestinian population, and to bar settlers from carrying arms outside their own settlement areas. Responsibility for their security must rest with the Israeli army, just as it does for the Palestinian population.

Mr Yitzhak Rabin, the prime minister, has so far set his face against such measures, but they would not lack support among an *important* part of the electorate, and among some of his cabinet colleagues. Neither need the closure *of a few settlements prejudge* negotiations on the wider settlement issue, which, under the Washington agreement signed with the Palestinians on September 13, are scheduled to begin two years after the introduction of limited Palestinian self-rule in the West Bank and Gaza.

Act decisively

Mr Rabin, though cautious by nature, has shown in the past that he can act decisively when faced by security threats. At the end of 1992 he expelled 415 Palestinians to south Lebanon, and in July he launched a week-long bombardment of southern Lebanon which cost an estimated 125 lives and drove some 250,000 people from their homes. He might reflect that *extremists from within his own* community can now be seen as every bit as much a threat to the peace process as those from the Arab community.

The Palestine Liberation Organisation should equally be careful to maintain a balance in its own reaction to the tragedy. Mr Yassir Arafat, the PLO chairman, is justly concerned that security for Palestinians in the territories be improved, and the presence of UN observers, as agreed in the Washington accords, would be a useful step. But any attempt at this stage to force a more fundamental reassessment of those agreements would almost certainly be counter-productive.

The longer-term political survival of both Mr Arafat and Mr *Rabin is closely linked with their ability to conclude a successful* peace accord. In the short term that will be best served by Israel taking a tighter grip on its extremists, and by the two sides completing their negotiations on an Israeli troop withdrawal from much of Gaza and the West Bank.

The Scott inquisition

Britain's Conservatives are nervous. They rightly fear the outcome of Lord Justice Scott's inquiry into the sale to Iraq of equipment that could make armaments. The affair has an uncomfortable feel to it, bringing on forebodings of the *disquieting effects* of a long period in office. There are unhappy parallels. Italy's Christian Democrats were suspected of links with organised crime. Japan's Liberal Democrats fell into disrepute because, after a period in which they seemed destined to rule forever, they became complacent and corrupt.

Now the spotlight is on Westminster. The charges laid against certain ministers and officials are peculiarly British. None of them is accused of seeking financial advantage. Yet if the gathering storm does break it could be more damaging to Mr John Major's administration than other recent *scandals and resignations*. The reputations of leading Tories, not excluding the prime minister him*self, are at issue*. Some have promised to resign if found to have acted improperly. The essence of the indictment against them is that, in the absence of a written constitution, they have been guilty of the unthinking misuse of power.

Ministerial connivance

The first charge relates to "public interest immunity" (PII) certificates, *which invite judges* to excuse the presentation of named documents in court. PIIs were *signed by five Conservative* ministers to protect papers demanded at the Matrix Churchill trial. Executives *of the company* were accused of evading restrictions on exports. Yet ministries, and the security *services*, were aware of what Matrix Churchill was doing, and connived at it. The trial judge did *not* accept the PIIs. The defendants were released. Other judges might have acted otherwise. It *looks*, despite *protestations* to the contrary, as if Whitehall might have allowed the accused to be *jailed in the* interest of protecting certain documents, although many of them were not likely to *damage* the public interest. They were merely embarrassing.

Faced with this, ministerial wit*nesses have told* different stories. The defence secretary said he was obliged to sign the PIIs; the chancellor that he had a degree of discretion; the social security secretary that he doubted that the *defendants would be found guilty*. On Monday the trade secretary, Mr Michael Heseltine, said that he *at first declined to sign*, but agreed after the wording was amended. He stated that the attorney general, Sir Nicholas Lyell, had advised him that he must do so, but had given contradictory advice in a subsequent case. Sir Nicholas said afterwards that his advice had been consistent. It is rare for two senior members of the same government to be in such open conflict.

Altered guidelines

The second charge is that while Lady Thatcher *was in office the* government secretly altered the export guidelines in Iraq's favour, *but hid this from* parliament. It was in relation to this accusation that Sir Robin Butler, Britain's most senior civil servant, made his celebrated remarks about the necessity for governments to divide the truth into fractions, only some of which need to be revealed. To outsiders, this seemed like Whitehall taking its omniscience more *seriously than* its competence might justify.

The inquiry has now run for *nine months*. Many distinguished witnesses have given evidence, including Mr Major, Lady Thatcher, other colleagues, and many officials. All are well able to look after themselves. None require the protection of professional advocacy as suggested by Lord Howe, a former foreign secretary and chancellor. Yet the view that heads must roll is gathering force. Sir Nicholas is the current favourite candidate for the tumbrils. Before deciding his future he will have his say at the inquiry. Unless he is unconvincing then, he should await Lord Justice Scott's report.

The judge cannot design a constitution for Britain, but he can call for a clear statement of published rules, perhaps involving some external form of appeal. Depending on his findings, a judgment will have to be made whether a change of rules, plus the possible sacrifice of one attorney general's career, is a sufficient response.

Bigger burden for a stronger man

India is taking a calculated gamble on growth to offset undemanding borrowing targets, says **Stefan Wagstyl**

India this week altered course on the road to economic reform, abandoning the tough fiscal path it has tried to fol*low for the past three years*, in favour of gradual structural change combined with acceptance of large *fiscal* deficits.

While the aim of increasing growth through economic liberalisa*tion remains the same, Mr Manmo*han Singh, the scholarly finance minister, signalled in Monday's budget that he and Mr P V Narasimha Rao, the prime minister, prefer to bypass difficulties rather than confront them. They may get away with it for a while but they could be storing up problems for the future.

The two have chosen to tolerate a higher level of public borrowing than they deemed acceptable even a year ago. They have tacitly admitted that the government, with its vast web of bureaucracy and state-owned industry, its coils of patronage, its subsidies and corruption is too big an animal to be tamed quickly.

They are gambling that the measures already taken since they embarked on reform in mid-1991 will be enough to create space for domestic enterprise to grow and prosper. If they are right, then India *will have shown the world how to* restructure a socialist-style economy with a minimum of dislocation. If they are wrong, they risk sending the country back down a vicious circle of mounting debt, rising inflation and declining growth.

It is possible for Mr Rao and Mr Singh to succeed: there is growing confidence in India among domestic and *foreign* businessmen; foreign exchange reserves are at record levels; and after six good harvests in succession, farmers are *content*. But the decision to take a relaxed attitude to public borrowing will make the country more vulnerable to external shocks such as a jump in world interest rates or oil prices, or a bad monsoon. Any of these could spark a surge in inflation, which is already uncomfortably high, running at 8.2 per cent a year after a *recent low of* 7 per cent. And *no* Indian government can tolerate high inflation for long, given the devastating effects of rising prices on the poor.

Mr Singh presented his budget as a calculated economic risk. The truth is that the calculation is as much political as economic. The ruling Congress (I) party faces several state elections over the next year, culminating in a general election which must be held by mid-1996 but could be held earlier if the prime minister wishes. A tough budget risked losing votes. As Mr Tapan Dasgupta, a leading economic commentator, says: "This budget is the political price for *doing reform in a democracy*."

Over the past year, there have been many indications that the government was relaxing curbs on borrowing – the religious unrest which followed the sacking of the Ayodhya mosque in December 1992 brought unexpected policing bills; it also hit trade, reducing customs and indirect tax revenues. Nevertheless, Monday's public borrowing figures came as a *surprise*. Mr Singh disclosed the fiscal deficit for the year ending March 1994 would *reach 7.3 per cent of gross domestic* product – compared with a target of 4.7 per cent. Moreover, the finance minister set an undemanding target of 6 per cent for the 1994-95 financial year.

The government is further distancing itself from the aim it espoused in 1991 of cutting public spending in order to free resources for private enterprise. These cuts were a condition of the emergency loan India secured from the International Monetary Fund in order to stave off default in a balance of payments crisis. In practice, the government *reduced the fiscal deficit greatly* only in the first year after getting the loan from 8.4 per cent to 5.9 per cent of GDP – and the deficit has been creeping up ever since.

Mr Singh is now trying a different tack – he hopes that the economy will grow, so the size of public borrowing in proportion to the economy will shrink, even if it does not fall in absolute terms. The stone will be as large as it was, but the man carrying it will be stronger.

To help stimulate growth, Mr Singh has included in his budget more measures designed to mobilise the resources of private enterprise – and to encourage businesses to become more competitive with foreign companies. Deregulation remains a central feature of government policy. As in previous years, customs duties are being cut – from a peak rate of 85 per cent to 65 per cent. Duties on capital goods and materials, including steel, are being reduced sharply to encourage industry to invest in world-class plants. Indirect taxes are being pruned to reduce their complexity and gener*ate more competition. Corporate tax* rates are coming down – as is the income tax burden on consumers, to help boost demand.

Industrialists hailed the budget for its emphasis on growth. "It's a great budget for industry," said Mr Tarun Das, secretary-general of the Confederation of Indian Industry, the employers' body.

Mr Singh has some good reasons for feeling positive about achieving his target of increasing growth from an estimated 4 per cent this year to 5-6 per cent in 1994-95. After almost three years of slowdown induced by the 1991 financial crisis, industry is staging a belated revival. Industrial output rose only 1.6 per cent in the first half of 1993-94, weighed down by the weak performance of heavy engineering and other sectors dependent on government orders such as telecommunications. But consumer goods companies, including vehicle and electronics manufacturers, are making significant advances in output. Exports soared 21 per cent in the 10 months to the end of January.

Moreover, India is attracting record amounts of foreign capital. An estimated $3bn will flow into the country in the year to the end of March 1993 – up from $585m in 1992-93. The total includes direct investment, foreign portfolio investment and overseas capital issues by Indian companies. These inflows have given India a good cushion against external shocks – $13bn in foreign exchange reserves, enough *for more than six months of* imports. "It is these reserves which have allowed Mr Singh to present *the budget that he has," says Mr* S L Rao, director of the NCAER, an independent economics think-tank.

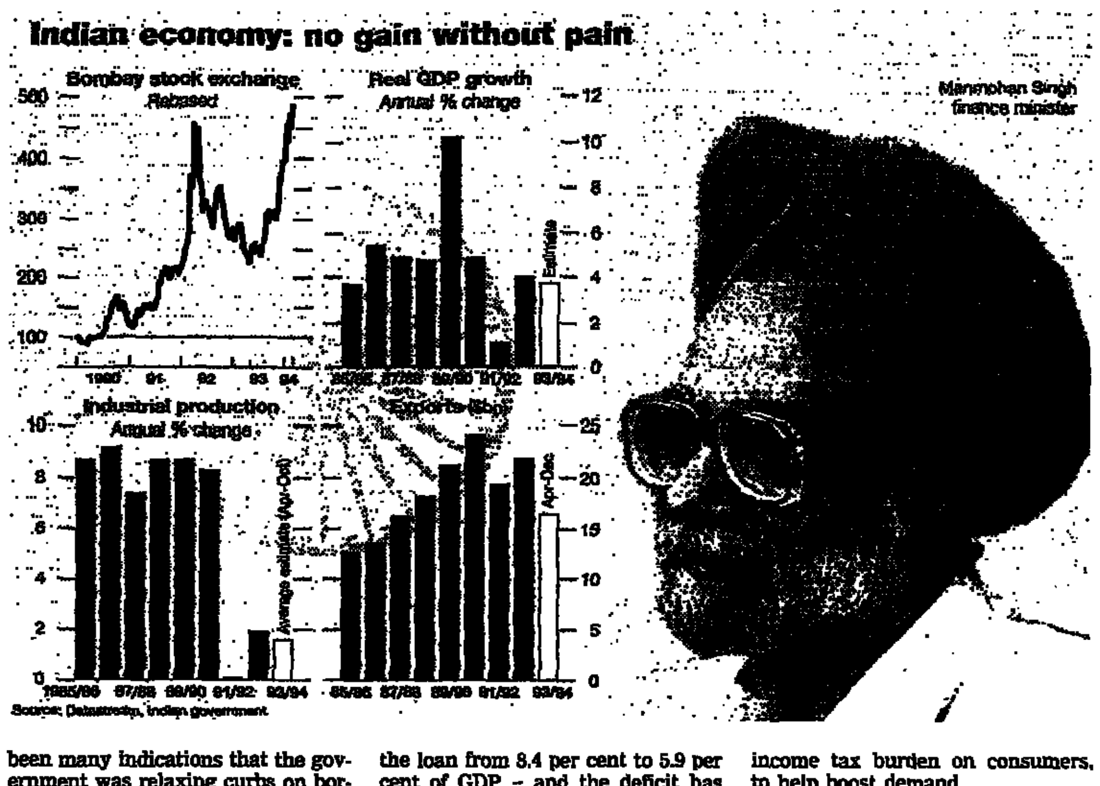
However the government's hopes could still be dashed if it neglects either its own housekeeping or reform. The most immediate concern is that public borrowing could rise further. "Borrowing is out of control," says Mr Dasgupta, "How can those who have let it go bring it back under control?" The pressures for wasteful spending – for subsidies and hand-outs – will increase the closer the government gets to a general election.

A more radical approach would have been to step up and extend the half-hearted privatisation programme. India has gone some way towards forcing a shake-up of its private sector by exposing it to foreign competition. *But the government has baulked at* a similar transformation of the public sector. The government is, at least, selling shares in profitable state-owned enterprises, including the State Bank of India, the largest commercial bank, and the national oil corporations. But sales are expected to be a mere Rs25bn in 1992-93 and perhaps Rs40bn next *year. Mr Rao, of the NCAER, says* the buoyant stock market could absorb Rs300bn a year. "So much more could be done with privatisation. It might produce demonstrations in the streets. But so what? The government is too cautious."

Similarly, there is little indication in the budget that the government will tackle another sacred cow of pre-1991 India – a virtual ban on compulsory redundancy, which many potential foreign investors *see as an obstacle*.

Mr Manmohan Singh and his colleagues deny that they are going slow on reform. They point to the many useful measures in the budget and to other non-budget measures in the pipeline such as liberalisation of the insurance industry and of telecommunications.

But it is difficult to avoid the impression that they are now making progress largely in directions which does not require much blood, sweat or tears. *As Mr Rao, of the* NCAER says: "In restructuring, there's no gain without pain. This *government seems to believe differently*."



Source: Datastream, Indian government

Why UK suffers from lack of investment

PERSONAL VIEW

As the UK economy embarks on its second year of "recovery", a critical issue is how much potential slack there is in the system. Giles Keating (Letters: "No evidence of narrowing output gap", February 16) correctly points out that the total rise in employment last year was more than accounted for by an increase in part-timers and self-employed and, therefore, "the total number of hours of labour services *used by the economy hasn't risen* much during the recovery and may well have continued to fall".

In itself, "this is not evidence of a narrowing output gap", but a full answer to the question requires an appreciation of what is happening to the utilisation of plant and machinery, as well as labour.

The CBI industrial trends survey suggests the overall position is hotting up in manufacturing. The proportion of companies reporting their present level of output as "below capacity" has fallen from 73 per cent to 57 per cent over the last year. The CBI research shows that, when companies respond to this question, they take account of labour and plant capacity. If labour is not a problem, yet companies report an increase in capacity utilisation, the implication is that the position with respect to plant capacity is tighter than appears from the overall measure.

This picture is confirmed by responses to another question in the survey: "What factors are likely to limit your output over the next four months?" Responses to the "skilled labour" and "other labour" categories have remained flat at a very low level over the last year. Response to the "plant capacity" category has more than doubled and is back to its 1970s cyclical peak.

The survey shows that, prior to the 1980s, a shortage of labour was the effective constraint on the economy. Now the problem is available plant and machinery, at least at current investment rates. This picture is for manufacturing alone, which accounts for only one-quarter of national output. But if there are some fundamental, economy-wide reasons why manufacturing is "underinvesting" in this way, other areas of the economy may be similarly afflicted.

An important explanation of why UK companies may be underinvesting was highlighted by Professor Dimson and Professor Marsh (Management: "Unhappy returns", February 9). They suggest companies have yet to adjust to the worldwide fall in cost of debt and equity capital. As a result, managements are demanding an excessive return from new investment projects and "there is a real danger that these companies will underinvest".

The biggest mistake the market has made has been to underestimate inflation

Dimson and Marsh suggest that a company's true overall cost of capital is now in the region of 11-12 per cent (after tax), compared with the more common assumption used by companies of about 20 per cent.

The critical issue is the appropriate risk premium to apply to the risk-free rate of return required by the market. The risk-free rate can be approximated by the yield to maturity on government debt. The conventional way of measuring the risk premium is simply to take the extent to which equities have outperformed government bonds over some historic period. On this basis, Dimson and Marsh produce 8 per cent for the risk premium, or 6-7 per cent adjusting for the fact that a company's shares are more risky than its underlying assets. However, the historic outperformance of equities will only be a good indicator of what the market requires from them if investors more or less correctly anticipated events.

The biggest mistake the market has made in recent history has been to underestimate inflation. Hence, the total real return on long-dated gilts issued in the 1960s was zero or less. Equities, on the other hand, provide more of a hedge against inflation through their ability to increase dividends. Unanticipated inflation has generally pushed the outperformance of equities compared with gilts above that required or expected by the market.

In this case, the actual equity risk premium demanded by the market is probably a lot less than the historic outperformance of equities and, therefore, conventional practice will lead companies to assume too high a cost of capital. Indeed, the only way to make sense of current equity ratings is to assume a risk premium more like 2-4 per cent, in which case the true cost of capital is more like 8-9 per cent, less than half the common assumption.

The widespread overstatement of the cost of capital in business is reason enough to explain why the UK economy generally – not just in manufacturing – suffers from a lack of investment and is in grave danger of being left with a high level of "capital-shortage" unemployment.

Mark Brown

The author is head of strategy and economics at Hoare Govett Securities

OBSERVER

Jaffré in good Elf

■ If Baroness Thatcher were to admit to having French business heroes, then Elf Aquitaine boss Philippe Jaffré might well top the list.

His stubbornness in attempting to reverse a sharp fall in profits evinces a powerful degree of Thatcherite brinkmanship. Nor is he chary of tough decisions, even if they precipitate a diplomatic incident.

A case in point has followed his latest act, that of reducing the newly privatised French oil giant's stake in a showpiece refinery in eastern Germany. It's provoked a protest letter from Chancellor Helmut Kohl to Edouard Balladur, the French prime minister.

But Jaffré is a shrewd negotiator, whose rigorous *view of profitability* was refined during a rapid rise through France's banking system, culminating in the *chairmanship* of Crédit Agricole, the country's biggest bank.

On job cuts, however, he takes a less Thatcherite line. Jaffré rejects what he describes as the "Anglo-Saxon" method *of drastic* staff reductions, which have been employed at rival oil companies. Instead he *talks of continual change* and the need to maintain morale. If unemployment results from the *eastern German move, it won't* be Elf that loses out.

Charity begins at home; a Thatcherite virtue if ever there was one.

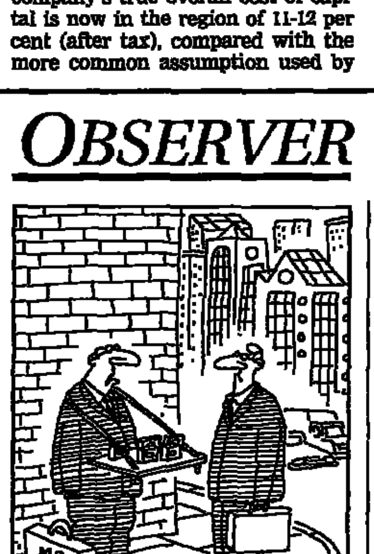
Frozen out

■ A bored Eurocrat was seen to be penning a little ditty during the now extended talks on extending the European Union. It's called The Nordic Bride, and sums up the state of play.

"When first we kissed, you said, my dear, that you were well endowed;
Your GDP, it was so clear, made you extremely proud.
But years have passed, and now you say that you are rich no more;
Our union may incur delay if you appear so poor!"

Nutty nukes

■ *Lord preserve us – how many* more acronyms can the nuclear power industry come up with? *Yesterday's report by the advisory* committee on the safety of nuclear installations – ACSNI – for the *Health and Safety Commission* – HSC – drew on the advice of the radioactive waste management *advisory committee* – RWMAC – and the nuclear installations inspectorate – NII. Whoa – there's *more to come*. The Atomic Energy Authority – AEA – now has a decommissioning and radioactive waste management operations directorate, known as DRAWMOPS.



'I'd rather not talk about this or my involvement with Lloyd's'

All this should be certified by the nuclear unloading think-tank *section; also known as NUTS.*

Union banker

■ A hint of uncertainty hangs over the *next clutch of appointments* at the Bank of England. The Court of Governors has three vacancies, *following the expiry* of the terms of Warburg's Sir David Scholey, Sir Adrian Cadbury, and Gavin Laird, *general secretary of the* AEEU engineering union.

Sir Adrian says he's had enough after 24 years; Sir David has just been made a governor of the BBC, so probably won't mind if he's not reappointed. But the trade union lobby is getting itself in a tizzy about who will replace Laird.

Since the Bank was nationalised in 1946, it's been a convention to have a trade union leader as a *non-executive director. Laird was* appointed in 1986 by Margaret Thatcher, no less. Given the TUC's efforts to enter the modern world, surely the government will not refuse it a job for one of its boys?

Round the bend

■ A triumph for German unification. Forget the negative talk about soaring unemployment and chronic shortages of kindergarten places; disgruntled easterners who believe nothing *has been preserved of their once* prized communist state have something to boast about at last.

Germany's reunited transport ministry has decided that motorists in the west will now be allowed to take advantage of a traffic regulation once found only across the border. All of Germany's drivers will now be allowed to turn right at a red traffic light, provided the road is clear.

"Experience in the new federal states (that is, east Germany) shows that the new regulation can contribute in certain circumstances to the alleviation of the traffic situation," a ministry circular intones.

If that's all the poor Ossis feel is left of their old world, no wonder the shine has started to rub off the commemorative unification coins.

Right chemistry?

■ At last Fisons gets a new finance director. Tipped as a takeover play since a profits warning in December – coinciding with the early retirement of finance director Roy Thomas and red card for chief executive Cedric Scroggs – Fisons has nominated David Hankinson as finance chapple.

He's been around a bit – Fisons will be his seventh job in 15 years – and tends to end up at companies *which have a record of attracting* the predators. Having jumped ship at Lucas, he had hardly settled into his job at Ranks Hovis McDougall when it was taken over by Tomkins a year ago. Still, Fisons' shares moved not a jot yesterday, so perhaps the waters have calmed a little.

Minim cabs

■ Hands up all who know 1994 is the Year of the London Taxi? You did? Then presumably you will be off to the South Bank's Purcell Room on April 25 to listen to the Licensed London Taxi Drivers' Orchestra perform some Mozart and Bach. No comments please about metre, direction, dud notes or such like.

FINANCIAL TIMES
Wednesday March 2 1994

Israel told to start withdrawal by April 13 or risk peace talks

By Mark Nicholson in Tunis and Julian Ozanne in Jerusalem

The Middle East peace process could collapse if Israel does not begin its withdrawal from Gaza and Jericho by April 13, the original date for completing the pullout, a senior member of the Palestine Liberation Organisation warned yesterday.

But Mr Ahmad Quorieh, one of the chief Palestinian architects of the PLO-Israeli declaration of principles, said he believed the PLO could not resume negotiations on implementing the declaration unless Israel agreed to discuss the future of Jewish settlements in the occupied territories.

The PLO also wanted further guarantees by Israel for the protection of Palestinians in Gaza and the West Bank.

The assessment of Mr Quorieh, a senior member of the PLO executive committee, came as Israel began freeing 500 Palestinian prisoners yesterday in a further attempt to win back the PLO to peace talks after last Friday's Hebron mosque massacre. The government also offered compensation to Palestinian victims and said up to 100 Jewish settlers would be disarmed.

PLO leaders in the occupied territories said the gestures were insufficient. They added that Mr Yassir Arafat, PLO chairman, would have to stay away from direct peace talks with Israel for at least two to four weeks to assuage Palestinian outrage at the Hebron killings.

The PLO demands for peace talks to resume include the disarmament of all 120,000 settlers and the dismantling of some of the more extremist ideological settlements such as Kiryat Arba, the 6,000-strong Jewish community just outside Hebron where Dr Baruch Goldstein, who carried out last Friday's massacre of 43 moslems, lived.

Mr Shimon Peres, Israeli foreign minister, said Israel could meet demands such as disarming extremist settlers and preventing their movement into some sensitive areas, allowing the deployment of an unarmed international force in the West Bank and Gaza Strip for a short period and increasing the Palestinian police force for Gaza-Jericho from 8,000 to 10,000.

However, he said the government rejected PLO demands for disarming all settlers and dismantling some settlements.

One or more PLO leaders are expected to fly to Washington within days to discuss with the US administration the PLO's demands. The PLO was, meanwhile, hoping the United Nations Security Council would call on Israel to accept an "international presence" in the territories.

As the release of Palestinian prisoners got underway, clashes erupted for a fourth day throughout the occupied territories.

And in a possible sign of reprisals spreading to the west, a man described as an Arab shot three ultra-orthodox Jewish youths in New York. Although he was heard to shout "Kill the Jews," police said a traffic dispute may have sparked the incident. No fatalaties were immediately confirmed.

Settlements forced to top of peace agenda, Page 4
Editorial Comment, Page 15

Central bank expects gentle upturn as business confidence stops weakening

Japan's recession may be 'near bottom'

By William Dawkins in Tokyo

Japan could be near the bottom of its protracted recession, the country's central bank said yesterday in its latest quarterly survey of business conditions.

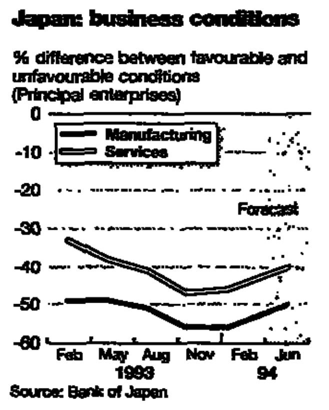
Business confidence has stopped weakening and the climate is expected to improve, the Bank of Japan said in its February survey of more than 10,000 companies.

The Tankan index of manufacturers' confidence stagnated at minus 56, the same as in the previous survey in November, staying at the lowest point in the downturn since May 1991. The index, which gives the percentage balance between companies reporting favourable and poor conditions, is forecast to recover slightly to minus 50 by June. Service industries' confidence, meanwhile, picked up a fraction slightly to minus 46 from November's record low of minus 47.

A "gentle" economic recovery is expected some time during the fiscal year starting next month,

Japan: business conditions

% difference between favourable and unfavourable conditions (Principal enterprises)



Source: Bank of Japan

said Mr Kagehide Kaku, the bank's head of research and statistics. The Tankan survey is the most authoritative gauge of the short-term business outlook and an important influence on monetary policy.

But several private sector economists feared the central bank was optimistic, and said a cut in official discount rates, widely expected, was still needed to stimulate spending and investment.

If US president Bill Clinton succumbs to pressure for trade sanctions against Japan, the consequent rise in the yen would delay recovery prospects, they warned. The yen stood at about Y109 to the dollar when the survey was taken, against Y104 in recent days.

"Japan's economy is brain-dead. There is no pulse, but at least that is better than seeing the readings fall lower," said Mr Kenneth Courtis, senior economist at Deutsche Bank Capital Markets Asia.

"It is at least as bad as the last survey and some of the indices are even worse," said Mr Robert Feldman, director of economic research at Salomon Brothers Asia.

Conditions have worsened for small manufacturers – usually an early warning of changes in trend – where the index fell from minus 45 to minus 48. The balance of manufacturers reporting excess capacity rose from 32 to 35 while those with surplus staff rose from 26 to 28.

Meanwhile, respondents said they were planning to cut capital investment by an estimated 9.2 per cent in the current year to the end of this month, and again by 4.5 per cent next year, marking three years of decline.

There were some encouraging signs in the survey, the Bank of Japan said, but not enough to amount to clear evidence of the recovery. Large manufacturers, outside the oil industry, expect pre-tax profits to fall 29.7 per cent in the current fiscal year, the fourth year of decline, but to recover by 11.4 per cent in 1994.

Japan's suspected credit squeeze may be easing, on the strength of an increase in the balance of companies to report that banks were being helpful in their credit stance. Other good signs include a two-point fall, to 30, in the proportion of large manufacturing companies with excess stocks of unsold goods. This is most marked in the consumer electronics industry.

THE LEX COLUMN

Yielding to pressure

The US Treasury bond market, which has been scaring itself with inflationary phantoms ever since the Federal Reserve tugged on the monetary reins last month, has spooked itself some more. Revised figures suggesting the US economy grew at an annualised rate of 7.5 per cent in the fourth quarter of 1993 were eye-catching but somewhat academic. The hand of God, which has administered earthquakes and snowfalls, will have slowed that breakneck expansion this quarter. Bond traders were more alarmed by the latest purchasing managers' price index, which showed a second consecutive monthly rise.

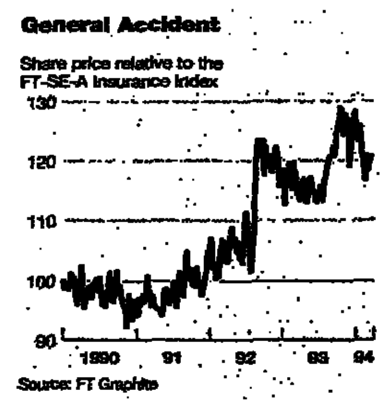
Such figures emphasise how quickly disinflationary pressures are abating but they do not yet confirm that an inflationary trend has asserted itself in the real economy. The purchasing managers' index can be an unreliable predictor of consumer price inflation. The rise in some commodity prices will be partly offset by the continued weakness of oil. Consumer confidence and employment levels remain weak. The bond market may therefore be over-reacting to inflation fears but may still be right to anticipate a further monetary tightening.

European bond markets are being buffeted by the US turbulence even though yesterday's developments strengthen the argument for a decoupling. The output gap in many European economies will widen this year, creating scope for further interest rates falls. But it would help if the Bundesbank had been bolder in cutting its money market repurchase rate by more than 3 basis points.

FT-SE Index: 3270.6 (-57.5)

General Accident

Share price relative to the FT-SE-A Insurance Index



Source: FT Graphite

General Accident

It is curious that General Accident's shares should rise against the trend of a market led lower by US bonds. True, full year profits were at the higher end of market expectations. But with almost half its assets in North America, GA is unusually geared to US treasuries. Jitters in world bond markets have shaved 2 percentage points from the group's solvency margin since the year end. With solvency comfortably over 50 per cent, GA is hardly starved of capital. Yet a dividend equivalent to 5 per cent of shareholders' funds and covered only 1.8 times by earnings is a heavy burden. Should the bear market in bonds take hold, GA might find it difficult to increase the pay-out as fast as shareholders would like.

That is all the more reason to hope that the earnings recovery continues. There should be more to come in the UK as premium increases already announced flow through into profits. GA's willingness to turn away motorists also suggests some sincerity about underwriting for profit at the expense of market share. Yet the bigger challenge now lies in the US and Canada, where underwriting losses amounted to £188m last year. The US in particular will be a tough nut to crack since GA lacks sufficient weight to influence market rates.

Without a rise in insurance rates across the US market, GA can only increase premiums unilaterally even if that means losing business. Whether that will be enough to bring about decent profits remains an open question. The 20 per cent premium to net asset value at which the shares now stand demands no less.

Abbey National

Had Abbey National been determined to stick to its previous target of three times for dividend cover, its payment might not have increased at all this year. As it is, the 22 per cent increase, which is broadly in line with earnings growth, is a welcome admission that it has enough capital to be going on with and does not need to retain every last penny of earnings. The desire to avoid building up surplus capital is perhaps a signal that the bank is more interested in boosting return than in further expensive attempts at diversification for its own sake. That is also good news after its embarrassing excursions into estate agency and French commercial lending.

Yet Abbey's dividend cover of just 2.1 times is at the bottom of its new target range of two to three times. That is in line with other banks that have also paid large dividend increases, but it suggests something of a struggle to reach the top of the target range by the peak of the cycle.

Special factors, including a lower tax rate, will boost earnings this year. Continental provisions should fall sharply and the cost of getting out of estate agency will not be repeated. Less certain are the prospects for operating profit. Abbey expects the contribution from insurance to increase substantially. But mortgage margins may narrow as interest rates stop falling, and treasury profits will grow more slowly. Abbey's dividend increase looks like a one-step jump, even though low inflation reduces the need for cover.

GKN/Westland

Westland's defence document is notably short on pictures of burning bridges. Perhaps that is because GKN will hold 45 per cent of Westland's shares even if the bid fails completely. So whatever the outcome, the two companies will have to live together. Yet while Westland avoided rough and tumble, it did not cede much to GKN either. The gentlemanly nature of the campaign may not be sustainable if both sides become entrenched.

Westland's defence rests firmly on prospects for EH101 orders and the possibility that the Apache will become the next British Army attack helicopter. Veterans of the 1985-86 capital reconstruction will remember that large claims were made for the Black Hawk, and the orders never materialised. Still, while there are risks in relying on projections to the year 2000, Westland's new management has a good track record. Loyal shareholders may wonder why, having waited so long, they should grab a bird in the hand now when there could be more than two in the bush. There is a case for supporting Westland, at least until it fails to meet its projections.

GKN's best point is that it could bolster Westland's strong but small balance sheet. Customer stage payments should cover Westland's working capital needs, but there is little margin for error. With Westland's shares 15 per cent above the offer, the market clearly thinks GKN is going to have to pay substantially more for victory. Whether GKN is prepared to raise its offer and its gearing enough is another question.

Croats and Moslems closer to alliance

Continued from Page 1

posal for a union of the Croat and Moslem areas of Bosnia. It would be divided into Swiss-style cantons, with some kind of economic confederation with neighbouring Croatia.

While the plan does not address the Serb-held areas of Bosnia, US officials hope it may put further pressure on the Bosnian Serbs to make peace.

The US has offered both carrot and stick to Croatia as an inducement for ending the fighting between Croats and Moslems in central Bosnia.

While threatening economic sanctions on Croatia, officials have also held out the hope of loans from international financial institutions.

In Moscow, Mr Kozyrev hailed the agreement with Mr Karadzic as a "big step" in a Russian peace initiative launched when President Boris Yeltsin persuaded the Serbs to heed the Nato ultimatum for pulling back its heavy artillery from around Sarajevo.

In a statement issued after the accord, Russia said: "This position of the Bosnian Serbs is based on the fact that Russian observers will take part in monitoring the non-military use of [Tuzla] airport."

However, Mr Karadzic admitted the talks had been difficult. He said Russia could help the Bosnian Serbs save face, although it was "difficult to find good solutions and honourable peace for all sides".

The momentum for peace is being reflected on the ground, although with varying degrees of success. Yesterday the International Red Cross secured the release of 400 prisoners in the western city of Mostar, which had been besieged by Croats for several months. The ceasefire, which began last Friday, was last night still generally holding.

The United Nations High Commissioner for Refugees also resumed aid convoys and humanitarian flights into the Bosnian capital Sarajevo.

However, Lieutenant Colonel Bill Aikman, the UN spokesman in Sarajevo, said Bosnian government forces were digging new trenches and there were reports of sniper fire.

South African election deal

Continued from Page 1

ing reporters' questions. "I came in high spirits and I leave in higher spirits. I feel very warm inside," said Mr Mandela.

Chief Buthelezi implied that Inkatha would seek an extension of the election period – possibly by delaying the poll in the Zulu heartland Natal while proceeding with the national election elsewhere on April 27 as planned. The ANC is unlikely to accept any delay.

However genuine the commitment to seek a substantive deal, both sides were clearly keen to use yesterday's accord to avoid blame for future violence.

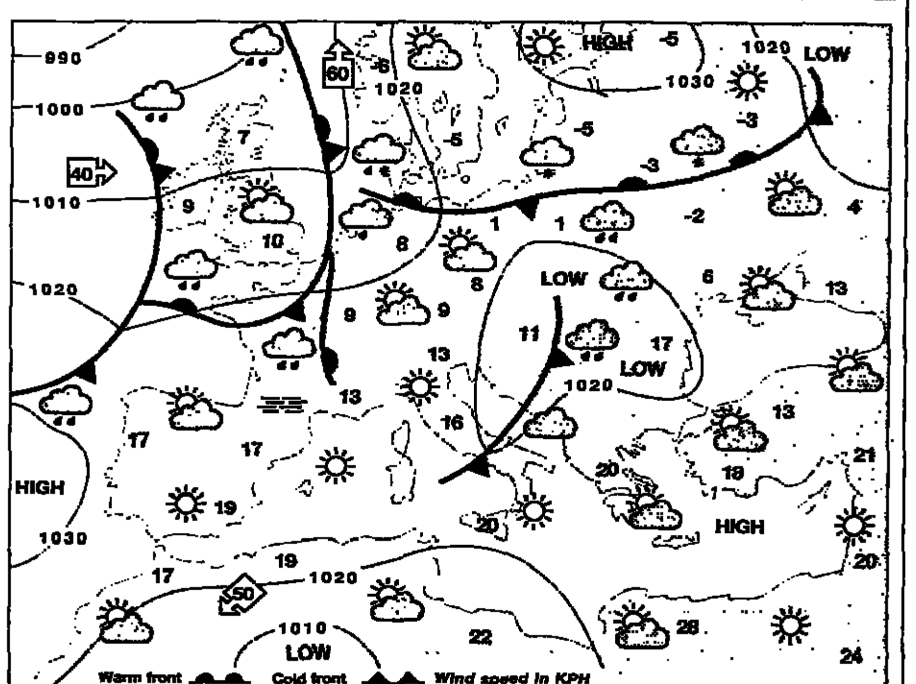
FT WEATHER GUIDE

Europe today

The boundary between wintry conditions in the north and mild weather in the south will continue to bring overcast skies and some snow to Denmark and northern Poland. Scandinavia will be dry and sunny as high pressure moves east. A frontal zone, associated with a complex low pressure system near Iceland, will give south-western Norway snow, rain and near gale force southern winds. The Benelux and western France will have cloud and rain. High pressure will keep the Mediterranean dry with sunny periods, especially in southern Portugal. Low pressure over the Balkans will produce cloud and showers, though temperatures will be quite high.

Five-day forecast

High pressure over Scandinavia will move further east. A westerly airflow will give unsettled but mild conditions with intermittent strong winds in western Europe and south-western Scandinavia. South-western and southern Europe will remain sunny and dry. Central Europe and, later this week, south-eastern Europe will have changeable weather with snow in the Alps and showers in the eastern Mediterranean.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	27
Accra	fair	33
Algiers	fair	19
Amsterdam	rain	7
Athens	sun	21
B. Aires	sun	27
B.ham	fair	9
Bangkok	fair	34
Barcelona	fair	16
Beijing	sun	7
Belfast	shower	8
Belgrade	shower	16
Berlin	cloudy	6
Bermuda	rain	23
Bogota	cloudy	20
Bombay	hazy	34
Brussels	rain	8
Budapest	cloudy	10
C.hagen	cloudy	1
Cairo	sun	25
Cape Town	fair	26
Caracas	fair	26
Cardiff	fair	8
Chicago	fair	5
Cologne	cloudy	8
D' Salaam	shower	30
Dakar	sun	25
Dallas	sun	17
Delhi	sun	29
Dubai	fair	26
Dublin	cloudy	8
Dubrovnik	cloudy	17
Edinburgh	cloudy	7
Faro	sun	19
Frankfurt	cloudy	9
Geneva	cloudy	11
Gibraltar	fair	18
Glasgow	shower	7
Hamburg	cloudy	5
Helsinki	sun	-8
Hong Kong	cloudy	20
Honolulu	fair	26
Istanbul	sun	16
Jersey	cloudy	10
Karachi	sun	30
Kuwait	fair	25
L. Angeles	sun	23
Las Palmas	fair	20
Lima	fair	28
Lisbon	sun	19
London	fair	11
Lux.bourg	rain	6
Lyon	cloudy	12
Madeira	fair	18
Madrid	fair	17
Majorca	fair	18
Malta	sun	20
Manchester	shower	9
Manila	fair	31
Melbourne	sun	21
Mexico City	sun	23
Miami	rain	28
Milan	fair	12
Montreal	cloudy	-4
Moscow	fair	-1
Munich	cloudy	8
Nairobi	shower	29
Naples	fair	19
Nassau	cloudy	28
New York	cloudy	5
Nice	fair	17
Nicosia	sun	20
Oslo	cloudy	-7
Paris	rain	12
Perth	sun	32
Prague	cloudy	8
Rangoon	sun	35
Reykjavik	snow	2
Rio	fair	30
Riyadh	fair	24
Rome	fair	17
S. Frsco	fair	18
Seoul	sun	4
Singapore	cloudy	31
Stockholm	sun	-6
Strasbourg	cloudy	11
Sydney	shower	22
Tangier	fair	17
Tel Aviv	sun	21
Tokyo	sun	8
Toronto	fair	-4
Tunis	fair	20
Vancouver	rain	13
Venice	cloudy	12
Vienna	cloudy	9
Warsaw	sleet	1
Washington	rain	5
Wellington	fair	23
Winnipeg	fair	2
Zurich	cloudy	10

FINANCIAL TIMES
COMPANIES & MARKETS
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Wednesday March 2 1994

IN BRIEF

Krupp-Hoesch to fight cartel office

Krupp-Hoesch, the merged German steel and engineering group, plans to fight an order by the German federal cartel office to sell part of its vehicle spring manufacturing capacity. The company said it would challenge the ruling by the competition authorities that it must sell its vehicle spring manufacturing division at Krupp Brüninghaus because of its dominant position in the market. Page 18

Abbey National increases 25% to £704m
Abbey National, the UK banking group, yesterday announced a 25 per cent increase in pre-tax profits for 1993 to £704m ($1.1bn). The board is recommending an increase in the full-year dividend of 22 per cent to 14.0p per share. Page 18

General Accident insurance recovery
General Accident, the highly rated composite insurer, yesterday provided further evidence of the recovery in the UK general insurance market by posting its highest ever profit figures. Pre-tax profits last year amounted to £294.9m compared to a loss of £29.3m in 1992. The final dividend was increased by 4.4 per cent to 17.8p per share, making a total of 27.5p for the year (26.75p). Page 18

NEC-Samsung plan joint memory chip
NEC of Japan and Samsung Electronics of South Korea, two of the world's largest memory chip manufacturers, plan a joint development of next-generation memory chips, expanding their existing co-operation agreements, NEC said yesterday. Page 20

World awaits the second Chinese wave
The second batch of China state-run companies for overseas listings is likely to hit Hong Kong in July, about a year after Tsingtao Brewery, producer of the only internationally known Chinese beer, made its trail-blazing debut. Page 20

Revival in UK fleet cars assists T Cowie
The revival of the UK fleet car market, coupled with lower interest costs, helped T Cowie, the car leasing, motor trading, bus and tractor group, post a 56 per cent increase in pre-tax profits last year to £38m. The pre-tax profit increase, from £24.3m in 1992, was ahead of market expectations. Cowie's shares closed at 331p up 7p. Turnover grew by 32 per cent to £799.8m (£605.9m) including £148m generated by the Keep Trust motor group of 18 dealerships acquired in May last year, turning Cowie into the fourth largest UK motor retailer. Page 22

Sri Lankan planters thirst for privatisation
Sri Lanka's tea and rubber industries, two chief export sectors, have done remarkably well in the first year of partial privatisation and President D.B. Wijetunge is keen to move on to the next stage. But there are political obstacles. Page 26

Europe's 'Most Respected Companies'
Senior European company executives are being invited to "vote" for Europe's Most Respected Companies in a new survey by the Financial Times in association with Price Waterhouse. Business leaders will be asked to nominate companies in their particular sector based on seven specific qualities. Page 10

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Porsche	890	+	18
Falls			
Asko Prf	890	-	40
Daimler Benz	795	-	17
Mercedes Hld	788	-	19
RWE	443	-	9
Veba	474	-	7

NEW YORK ($)			
Rises			
Digital Equip	27½	+	1⅛
Hilton Hotels	70¼	+	2¼
Tadiran Ltd	22¼	+	1
Falls			
Citicorp	40⅜	-	¾
Kyocera Corp	130½	-	3½
Unilever Plc	68½	-	2½

PARIS (FFr)			
Rises			
Essilor Intl	780	+	12
Unibail	630	+	18
Falls			
AGF	612	-	18
BSN	908	-	35
Canal	964	-	32
St Gobain	663	-	21

TOKYO (Yen)			
Rises			
Daiei Inc	1900	+	150
Hino Motors	889	+	65
Mitsubishi Tr&Bk	1590	+	140
Mitsui Tr&Bk	1230	+	90
Sumitomo Tr&Bk	1520	+	110
Falls			
CSK	2630	-	90

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Admiral	535	+	20
Borthwicks	58½	+	3½
Cowie (T)	331	+	7
Inveresk	230	+	7
Lloyds Abbey	420	+	23
RTZ	867	+	14
Falls			
Abbey National	488	-	16
BAT Inds	464	-	17
Barclays	538	-	22
Canadian Pizza	199	-	5
Courtaulds Text	537	-	17
Dawson Intl	153	-	5
Granada	540	-	15
HSBC (75p shs)	868	-	77
Hambros	385	-	18
Lon Forfaiting	212	-	14
Raine	98	-	4
Silentnight	355	-	18
Standard Chtd	1159	-	56

Growth in mobile and fixed telephone divisions restores Finnish group

Nokia returns to profit and lifts payout

By Hugh Carnegy in Stockholm

Nokia, the Finnish telecommunications group, yesterday reported a surge back to profit as high growth in its mobile and fixed telephone divisions produced a pre-tax profit in 1993 of FM1.15bn ($209m), compared with a FM158m loss in 1992.

It is increasing its dividend to FM2.80 a share from FM2.00.

However, the group, the world's second largest supplier of mobile telephones after Motorola of the US, announced it was withdrawing from manufacturing picture tubes in a bid to stem losses in its troubled consumer electronics business.

It included a charge below the line of FM1.9bn mostly to cover the costs of the move, leaving a net loss of FM1.15bn, compared with a net loss of FM723m in 1992.

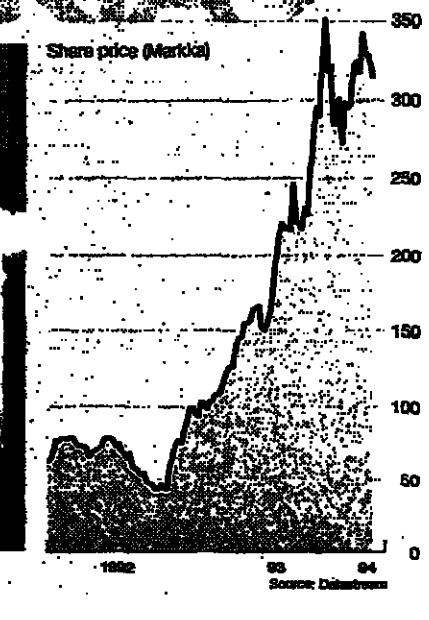
Mr Jorma Ollila, chief executive, said consumer electronics losses, at FM747m in 1993, required "very forceful actions".

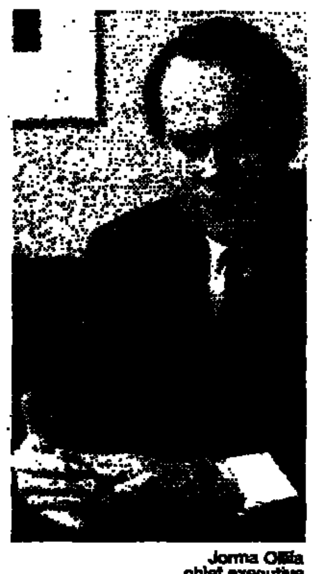
Efforts to find a partner or buyer for the picture tube making had so far failed. The decision to close will mainly affect Nokia's Esslingen plant in Germany which it modernised last year at a cost of FM200m.

Nokia said it would continue to make televisions as these were important in developing interactive communications and multimedia products, but it would buy in picture tubes.

The problems in consumer electronics contrasted with Nokia's fast growth in telecommunications. Overall group sales were FM23.7bn, compared with FM18.12bn, while research and development costs rose to FM1.47bn from FM1.13bn. Operating profits jumped to FM1.46bn from FM288m.


Nokia's Cables and Machinery operation




Jorma Ollila
chief executive

Most of Nokia's activities are outside Finland and the company is applying for a listing on the New York Stock Exchange, the first Finnish company to do so.

Sales in the mobile telephone division surged 73 per cent to FM6.3bn from FM3.6bn. Nokia said sales of digital cellular telephones took off in 1993 and were expected to continue to grow rapidly, but it said demand for the older technology analogue systems remained strong. Operating profits for mobile telephones more than doubled to FM950m from FM437m.

Sales in the fixed telecommunications division grew 43 per cent to FM4.6bn, while operating profit more than doubled to FM983m. The cables and machinery division reported slower sales growth, pushing up to FM4.9bn from FM4.6bn, but operating profits here again more than doubled to FM261m.

Nokia was confident of sustaining the rapid rate of sales growth for mobile telephones this year as it exploited growing markets, especially in Germany, the US and Japan.

Brussels positive on Bull financing

By John Ridding in Paris

Mr Karel Van Miert, the European competition commissioner, yesterday gave a positive response to outlines of a restructuring and privatisation plan for Groupe Bull, the loss-making French computer group.

After a series of meetings with Mr Jean-Marie Descarpentries, the Bull chairman, Mr Gérard Longuet, the industry minister, and Mr Edouard Balladur, the French prime minister, Mr Van Miert said he had been "impressed by Mr Descarpentries' ideas and commitments".

During the meetings, the French government agreed to freeze a tranche of FFr2.5bn ($431m) of state aid for Groupe Bull pending the European Commission's decision on the group's recapitalisation.

The FFr2.5bn is the final tranche of a FFr7bn capital increase announced last year by the French government.

Mr Van Miert is due to receive a final version of Bull's restructuring plan within the next few days. He said a decision on the plan could be reached by the summer, and would not take more than six months.

Brussels' decision is regarded as crucial to the recovery of the group, which has lost more than FFr15bn over the past four years as a result of depressed markets, high costs, and inefficient management.

The French government has said the capital injection is a necessary final payment to allow the group to be privatised.

Mr Descarpentries aims to reduce the state's 76 per cent shareholding in Bull to below 50 per cent this year.

He plans to achieve this through an increase in employee shareholdings and the participation of industrial partners in the company's capital. NEC of Japan, which holds 4.4 per cent of Bull's shares, is seen as a potential candidate for a larger stake in the group.

Other measures aimed at returning the computer group to profit include cost-cutting and productivity measures.

According to the plan, productivity is to be increased through the establishment of separate profit centres and tighter reporting procedures. Non-salary costs, such as rents, are to be reduced through the sale of most of the company's Paris sites.

Industry's hope, Page 3

Westland attacks value of hostile bid from GKN

By Tim Burt in London

Westland, the UK's only helicopter manufacturer, yesterday dismissed a £496m ($724m) hostile bid from the engineering group GKN as "absurdly low".

The Yeovil-based company said the takeover bid, launched last month, undervalued its growth prospects and £1.4bn order book.

Launching Westland's formal defence document, Mr Alan Jones, chairman, said: "There is no logic in linking with an engineering conglomerate, focusing on the automotive and industrial services sectors. The way forward for us is through collaboration with other helicopter manufacturers."

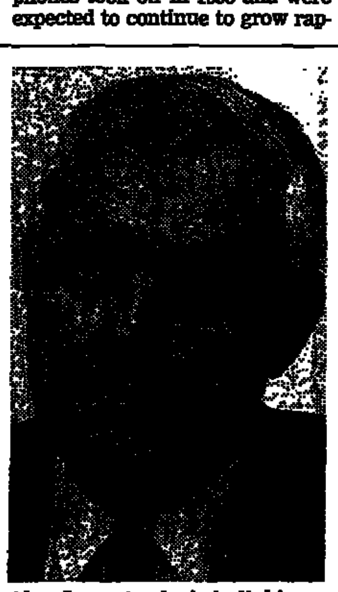
Nevertheless, GKN remains in a strong position, having raised its existing Westland stake to 45 per cent with the purchase of an 18.7 per cent holding from United Technologies, the US parent of Sikorsky helicopters.

The Midlands-based group, which justified its bid by claiming synergy between helicopters and its own armoured vehicles division, has offered Westland shareholders 290p cash per share. The bid values the whole group at £496m.

Mr Jones claimed GKN's offer document suggested that 44p of the price related to a £385m payment due to Westland from the Arab Organisation for Industrialisation (AOI) for alleged breach of contract. This meant that the GKN offer valued Westland's underlying business at only 246p a share.

"That is equivalent to 21.4 times historic earnings, which undervalues the company. The average price earnings multiple for UK aerospace manufacturers is almost 60 per cent higher at 34," said Mr Jones.

Sir David Lees, GKN chairman, said the earnings multiple figures were "meaningless" and warned there was no guarantee that the AOI would pay the damages.


Alan Jones: 'no logic in link'

"There is nothing new in this defence. We expected something about firm orders. It's a very thin document."

He also questioned Westland's claim that the value of its helicopter deliveries could rise from £10m this year to £360m by the year 2000. "They've admitted some of these potential orders may fall away entirely. There is only one firm order for this year and two for 1995."

Westland's share price closed unchanged yesterday at 331p.

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Salomon Brothers to advise UK on debt disposals

By Tracy Corrigan in London

The UK Treasury has appointed Salomon Brothers International to advise on disposals of its remaining holdings of debt in privatised UK companies in the next financial year.

It is the first time that Salomon Brothers has been awarded a senior role by the UK Treasury since it was ditched from the second tranche of the British Telecommunications privatisation, after being involved in a US Treasury auction scandal in 1991.

A spokesman for the Treasury said it had taken the unusual step of appointing a non-UK bank because Salomon "gave us the best presentation".

The Treasury sold £1.3bn ($1.89bn) of similar debt in 1992 through a complex auction, arranged by Barings, in which 13 privatised companies were invited to bid to buy back their debt. Outside investors were allowed to compete for BT debt.

The government still holds a total of £2.86bn of the debt – £1.22bn of BT debt and £1.64bn of electricity debt – left on the companies' balance sheets at the time of privatisation. However, some of that debt is very short-dated and unlikely to be sold.

Salomon will advise the Treasury on which and how much debt to sell, and how to sell it.

In his November budget, Mr Kenneth Clarke, UK chancellor, said that the government aimed to raise £5.5bn in privatisation proceeds in the next financial year. The debt sale will allow the government greater leeway in the timing of further electricity privatisation offerings.

However, one difficulty in selling the debt is that, with coupons of more than 12 per cent – much higher than current market yields – it would have to be priced at a premium of around 30 per cent to its notional value, which could make it unattractive to potential buyers.

Barry Riley

Currency: the risk that can appear benign

If Mr George Soros can get a currency exposure wrong to the tune of $600m, as he has admitted to have done on February 14, should the average portfolio manager be getting involved with the active management of foreign exchange positions?

There is an odd contrast here between US and British pension funds. The Americans are increasingly drawn to the separate management of foreign exchange exposures – on some estimates a quarter of US pension funds are already using so-called currency overlays. British pension funds, in contrast, are inclined to leave investments in foreign currency securities unhedged, except in unusual circumstances.

The feeling that dealing in securities counts as investment but trading in currencies is speculation is deeply ingrained. It is reinforced in the UK by the risk that currency gains unrelated to holdings of securities might be taxed as profits from trading.

There is a theoretical reason, too, why currency exposure is different. Whereas investment in, say, bonds carries a particular level of expected return (and an investment in equities brings the reward of a rather higher return, because of the risk premium) the expected return from holding currencies is zero. A currency index fund will give no return over extended periods. Although some currencies have proved to be consistently strong and others consistently weak over the long term, these shifts have been offset by interest rate differentials.

This does not mean, of course, that currency trading can *never* be profitable. That may happen when central banks are intervening, as happened in summer 1992. But although Soros made big gains then, he has found it much trickier in freely floating conditions and, in the recent politically volatile circumstances of the dollar and the yen.

Over *short* periods, investment returns on securities have a substantial currency element, as much as 40 per cent of the annual returns in dollar terms. Therefore a hedging strategy will be attractive if it reduces volatility.

The feeling that dealing in securities is investment but trading in currencies is speculation is deeply ingrained

US pension funds are sensitive to short-term volatility because their corporate sponsors are more directly subject to market-related valuations. There is also a particular problem with the dollar: a volatile currency which tends to move in a similar direction against most other currencies at any particular time, whereas sterling often tracks a more moderate course between the dollar and other European currencies such as the D-Mark.

A further structural factor is that US plan sponsors are used to layers of specialist managers. Currency managers can easily be added on. In the UK, however, balanced managers remain dominant. Trustees are inclined to leave all decisions to them, including currencies. But the currency decisions are not usually very well handled. Most British fund managers have been very bullish of the dollar throughout the past year, for instance, to no avail.

British managers are focused on equities, where the assumption has been that local market returns are inversely related to the strength of the currency: devaluation, for instance, boosts share prices. Hedging is therefore less important, especially from the perspective of a sterling investor, who is accustomed to regular currency gains in his portfolio returns.

Things look different to a bond manager. Currency returns are more easily divorced from domestic bond returns and separate management of the currency and interest rate risks is more naturally embraced. True, the returns tend to be positively correlated: weak currencies encourage fears of inflation and undermine domestic bond prices. But this is not universally true: bond prices, for instance, soared in the devaluing European countries after September 1992 because the danger of soaring fiscal deficits was seen to be reduced.

It is slightly strange that UK funds, which have an overseas exposure of some 30 per cent, are less worried about currency risks than US funds, with an exposure which may be about 6 per cent on average at present (albeit rising).

But the currency impact on UK funds, most notably in late 1992, has been perceived as benign. It will probably take a shock, in terms of large, avoidable currency losses, to trigger UK pension fund trustees into action.

Krupp-Hoesch to fight cartel office over unit sale

By Quentin Peel in Bonn

Krupp-Hoesch, the merged German steel and engineering group, plans to fight an order by the German federal cartel office to sell part of its vehicle spring manufacturing capacity.

The company said it would challenge the ruling by the competition authorities that it must sell its vehicle spring manufacturing division at Krupp Brüninghaus because of its dominant position in the market.

An agreement to dispose of the division was an important part of the deal negotiated by Krupp-Hoesch with the cartel office in April, 1992, in order to get the go-ahead for the total merger of the two steel groups.

However, just before the deadline to do so expired in December last year, the company served notice of cancellation of the agreement, arguing that conditions in the market had changed.

The cartel office in Berlin announced on Monday that it was not prepared to accept the unilateral cancellation, and ordered Krupp-Hoesch to sell the division, or it would appoint an independent trustee to do so on its behalf.

The office said a merger of the vehicle spring manufacturing capacity of Krupp Brüninghaus with Hoesch-Federn would raise the danger of the combined enterprise having a dominant market position. The two together would control more than 60 per cent of the market, with a turnover of between DM600m-DM700m ($353m-$412m).

Krupp-Hoesch maintains that because of a slump in demand for its suspensions from the motor industry, the two vehicle spring divisions between them lost more than DM50m in 1993. It said if one of the two divisions was sold, the other could no longer survive.

"The conditions of competition in the automobile sub-contracting industry have changed so much since the original agreement was reached that there is no longer any reason to fear the emergence of market domination," according to Krupp-Hoesch.

The cartel office argues that other companies are still surviving in the industry, many of them small or medium enterprises with a much smaller turnover.

It accepts that the motor industry has reduced its orders because of the current recession.

Krupp-Hoesch will now take the case to the superior court in Berlin, although a delay of several months is likely before any decision is taken.

General Accident posts record profits and increases dividend

By Richard Lapper in London

General Accident, the highly rated composite insurer, yesterday provided further evidence of the recovery in the UK general insurance market by posting its highest profit figures.

Pre-tax profits last year amounted to £294.9m ($447m) compared with a loss of £29.3m in 1992. The final dividend was increased by 4.4 per cent to 17.8p per share, making 27.5p for the year against 26.75p.

Like Guardian Royal Exchange, Royal Insurance and Commercial Union, all of which reported large pre-tax profits last week, GA's turnround hinged on an improvement in the UK, where underwriting profits of £59.7m for the year – and £32m for the fourth quarter – were reported.

"As anticipated, our early action on rates and operating costs has produced a very significant recovery in operating performance," said Mr Nelson Robertson, chief executive.

Mr Robertson said a "determination to underwrite for profit and not volume has had a very considerable impact on profitability across the whole portfolio."

Underwriting profits in the motor sector amounted to £11.1m against a loss in 1992 of £46.8m and premium income increased by 4.8 per cent to £252.7m. However, the company reduced its policies to 660,000 from 750,000. Mr Bob Scott, general manager UK, said this reflected a planned reduction in exposures to non-comprehensive policies.

Overall UK premium income increased to £1.38bn compared with £1.25bn.

Elsewhere, results in the US – where GA obtains 32 per cent of its premium income – improved with underwriting losses falling to £140.4m from £210.5m. However, Canada, where GA is the biggest player following an acquisition last year, produced higher underwriting losses, up to £44.1m against a loss of £18.7m.

Mr Robertson said GA had benefited from a reduced level of catastrophe losses in the US, but had been hit by storm losses and the need to strengthen reserves in Canada. The company is keen to expand in the Pacific – where it has a market share of between 5 per cent and 7 per cent in Malaysia, Hong Kong and Singapore.

Mr Robertson said the balance of the group's account could shift towards North America and the Pacific. "There is nothing in our plan which says the UK has to provide us with a third of our total income."

The company has some capital which it could use for expansion, following a strengthening of its balance sheet. Its solvency margin – net assets as a percentage of non-life premiums – amounted to 57.4 per cent at the end of December 1993, compared to 41.5 per cent a year earlier.

Overall general premium income rose to £4.18bn from £3.83bn. Life business premiums amounted to £866.1m compared with £790.4m while investment income rose to £509.1m from £504.9m.

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Abbey National rises 25% to £704m

By Alison Smith in London

Abbey National, the UK banking group, yesterday announced a 25 per cent increase in pre-tax profits for 1993 to £704m ($1.1bn), from £564m.

The board is recommending an increase in the full-year dividend of 22 per cent to 14p per share

Lord Tugendhat, Abbey chairman, said that given the good results and the good prospects for the group, the board had moved away from its earlier aim of dividend cover of three times or more, and concluded that cover of between two and three times was appropriate. The recommended 1993 dividend is covered by earnings 2.1 times.

The greatest proportional profit rises came from the group's treasury and life assurance operations, while the core UK retail banking business rose 14 per cent to £618m.

Pre-tax profit from the treasury operation rose to £145m, from £100m, while the profits from Scottish Mutual, the life assurance arm, and from Abbey National Life, which became operational only in February 1993, rose to £61m compared with £39m.

The group's continental European and offshore operations incurred a pre-tax loss of £105m, compared with a loss of £46m in 1992, largely because of the steep increase in provisions for commercial lending in France.

Provisions for the European businesses rose sharply to £99m from £47m, while provisions for UK operations fell to £119m from £227m. The sale in August of the Cornerstone estate agency featured as an exceptional loss of £30m.

Net mortgage lending rose to £3.2bn in 1993, from £2.5bn. However, Mr Peter Birch, chief executive, did not expect the group's 18.5 per cent share of the UK mortgage market in 1993 to be repeated in the coming year, and said it was likely to drop to its previous 12 per cent to 14 per cent share.

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Bank Austria bids for GiroCredit

By Patrick Blum in Vienna

Bank Austria, Austria's largest bank, is bidding for control of GiroCredit, the savings banks' clearing institution and a leading commercial bank in its own right.

The object of the move – equivalent to an unfriendly takeover bid – is to force a restructuring of the savings bank sector.

The bid is being made through Anteilsverwaltung Zentralsparkasse, BA's biggest shareholder and holding company of the former Zentralsparkasse, the Vienna city savings bank now merged into BA, which is offering to buy GiroCredit shares from savings banks across the country.

It is offering a mixture of Sch370 cash per nominal Sch100 GiroCredit share and/or the equivalent of Sch400 per Sch100 nominal GiroCredit shares in BA bearer stock.

The offer expires on 18 March.

Bank Austria owns just under 31 per cent in GiroCredit. It aims to buy at least another 20.4 per cent of GiroCredit's shares to raise its shareholding to above 50 per cent.

BA's announcement came as a surprise, and it follows several earlier unsuccessful attempts to restructure GiroCredit and the savings banks sector.

Leading savings banks from Salzburg, Linz and Graz responded cautiously to the bid, saying they would have to look at the offer in detail and compare it to an earlier plan put forward by BA for a restructuring of the savings banks.

This entailed selling about two-thirds of BA's holding in GiroCredit to a consortium comprising the Erste Oesterreichische Spar-Casse, the second largest savings bank, Austria Collegialität Versicherung, a leading insurance company, and the savings banks.

Erste which already owned about 21 per cent of GiroCredit was to buy a further 10 per cent. But this plan – which had a February deadline – was abandoned following disagreements over price.

All the savings banks including the Erste Spar-Casse which refused the original plan, are due to meet today to discuss their response to the takeover bid from BA.

● Union Bank of Switzerland is making an agreed takeover bid for Regiobank Beider Basel (Regio Bank), a northern Swiss regional bank, Reuter reports from Zurich.

Regio has a balance sheet of SFr2.5bn ($1.7m) and about 200 employees.

Bellsouth in Spanish venture

By Tom Burns in Madrid

Bellsouth, the US telecommunications group, has added Spain to its expanding European business by forming a local consortium to bid for a second cellular phone licence to be awarded later this year by the Madrid government.

The consortium, called Reditel, allies the US group to Repsol, the Spanish state-controlled energy conglomerate, two construction companies and to eight savings banks.

Bellsouth will have a 25 per cent stake in the venture and Repsol 15 per cent.

Reditel is one of several alliances, mixing foreign operators with domestic companies, formed in the past year ahead of the liberalisation of Spain's telecommunications industry. Rival consortia seeking a mobile phone licence include GTE of the US and the UK's Vodaphone.

The government is expected to publish the tender requirements for operating digital service cellular telephones within the next two months. Two licences are to be awarded, one of which will be reserved for Telefonica, which is 32 per cent state owned and is the monopoly telecommunications operator in Spain.

A mobile phone service that is already operated by Telefonica, using 450MHz and 900MHz cellular radio networks, is earning the Spanish group about Pta12bn ($85.7m) in operating profit on a Pta100bn turnover.

Local analysts said Spain's cellular system could have 1.8m subscribers by 1998, compared with 254,000 at present.

"Our emphasis is on the cellular business but we will be looking closely at other areas as they become available," Mr George Von Open, Bellsouth's chief executive in Spain said.

The US group participates in mobile services in Denmark, France in Germany and is bidding, as part of a consortium, for an Italian licence.

Cost-cutting helps Valmet turnround

By Hugh Carnegy

Valmet, the Finnish paper machinery and engineering group, said yesterday productivity and cost-cutting gains had helped it return to profit in 1993. Profits after financial items were FM100m ($18.07m) compared with a loss of FM298m in 1992.

Unspecified extraordinary charges of FM154m, mainly write-offs associated with rationalisation moves, resulted in a pre-tax loss of FM54m, but this was a sharp improvement over the pre-tax loss of FM219m in the previous year.

Valmet said it would show a net profit of FM85m when its annual report was published later this month, compared with a net loss in 1992 of FM120m, although details were not given.

Group sales were up 11 per cent to FM10.7bn compared with FM9.6bn in 1992, thanks in part to the fall in value of the Finnish markka last year. More than 80 per cent of Valmet's sales were outside Finland, mainly in western Europe and North America.

Operating profit improved sharply to FM479m from FM171m.

Valmet said its internal rationalisation programmes, coupled with the prospect of more stable markets in the forestry industry, should produce a further improvement in 1994.

BCI offer closes three days early

By John Simkins in Milan

The public offer in Banca Commerciale Italiana, one of Italy's leading banks, closed last night, three days ahead of schedule – confirming the success of the government's privatisation programme.

The shares went on sale on Monday at L5,400 each. There were indications last night that only about a quarter of the 1m-plus people who had applied for shares were likely to receive any.

In total, 260m shares were available to private investors. However, IRI, the state holding company which was disposing of its entire 54 per cent stake in the bank, placed a further 240m shares with institutions.

On the Milan stock exchange last night, BCI closed slightly lower at L6,026 amid heavy turnover.

Trading in the shares on sale in the public offer begins on March 17.

The heavy subscription follows similar strong demand for two earlier privatisation issues.

IRI raised almost L1,750bn ($1bn) by selling its stake in Credito Italiano in December and the government received almost L2,400bn from shares in Istituto Mobiliare Italiano, the financial services group.

● Credito Italiano, the Italian bank privatised last December, reported a 4.9 per cent increase in net profits to L218.6bn for 1993 as tax charges more than doubled to L640bn.

During a year in which banks saw a sharp fall in interest rates, Credito's gross operating income rose 86 per cent to L1,574bn. Interest income was up 11 per cent at L2,532bn while fee income more than doubled to L1,351bn.

● Banca Ambrosiana Veneto (Ambroveneto) yesterday reported gross operating income of over L790bn for last year, up 11 per cent on 1992.

The Milan-based bank, which will reveal net profits later this month, said the outcome reflected its strategy of developing customer services, thus lifting non-interest income.

Loan-loss fall helps lift top Canadian bank

By Bernard Simon in Toronto

Falling loan losses and strong investment banking income helped Royal Bank of Canada to lift first-quarter earnings by 18 per cent.

The bank, which is Canada's biggest financial institution, predicted that a continuing improvement in its loan portfolio, plus higher productivity, would provide a "solid level of profitability" this year.

Net earnings rose to C$300m (US$222.2m), or 82 cents a share, for the three months to January 31, from C$254m, or 71 cents a share, a year earlier. Return on equity improved to 17.9 per cent from 14.8 per cent.

Assets climbed to C$168.2bn from C$137bn, with more than half the increase due to last year's acquisition of Royal Trust, the ailing trust and loan company formerly controlled by Toronto's Bronfman family.

Return on assets slipped fractionally to 0.72 per cent from 0.73 per cent.

RBC is emerging from a turbulent period, which included the Royal Trust acquisition as well as a heavy exposure to the troubled property and forestry industries. The bank has also been criticised for weak internal management.

Earnings have tumbled from a record C$965m in 1990 to C$107m in 1992 and a C$420m fourth-quarter loss last year.

The bank noted yesterday, however, that fiscal 1994 loan losses were expected to fall to C$820m from C$1.75bn last year. The first-quarter loan-loss provision was C$205m, down from C$295m last year.

Non-accrual loans totalled C$3.21bn on January 31, equal to 2.6 per cent of total loans and acceptances. This was slightly lower than three months earlier, but the decline was slowed by a further C$46m increase in sour commercial property loans.

A further cushion is provided by the rising market value of the bank's Third World debt portfolio.

The surplus has grown over the past quarter, from C$415m to C$550m. Any of this surplus realised during 1994 will be transferred to general loan-loss provisions.

● Bank of Nova Scotia reported a 19.5 per cent jump in first-quarter earnings, to C$197m, or 82 cents a share, from C$165m, or 70 cents a share. Return on equity rose to 14.7 per cent from 13.9 per cent.

The improvement was attributed largely to higher interest income and stronger investment-banking earnings.

N American groups study Vox stake deal

By Christopher Parkes in Frankfurt

North American media companies are negotiating for a 49 per cent stake in Vox, a private German television station owned by a consortium headed by the Bertelsmann group.

According to unconfirmed reports, the bidders are Time Warner of the US and CanWest Global Systems of Canada. Vox is one of nine German-based private broadcasters competing for viewers with 15 publicly-owned channels.

Their move is understood to have been initiated last month when the publisher of the Suddeutsche Zeitung newspaper, decided to dispose of its 20 per cent stake in the struggling broadcaster.

Bertelsmann, Europe's biggest media business with widespread international interests in print and electronic media, holds a 24.9 per cent stake. Other shareholders include the WMB holding company, of which 47 per cent is in the hands of the public sector bank, WestLB.

Bertelsmann yesterday would confirm only that it was in talks which should lead to "stabilisation" of the shareholdings in Vox, which had a shaky launch into the crowded German TV market just over a year ago.

The company said a group of American investors was seeking a 49 per cent stake, but that the current owners were not offering that amount. It said that although Bertelsmann had no plans to reduce its stake, an announcement could be made in the next few weeks.

Originally conceived as an information channel, much of Vox's output is now entertainment. The Suddeutsche Zeitung, which supplies a magazine programme, S-Zett, and other services to Vox, is believed to want to pull out because of the format change, and the unexpectedly high start-up losses, exacerbated by recession.

Glory days gone for discount pioneer

Kmart's costly expansion and modernisation has turned sour, writes Richard Tomkins

Kmart, the US retailer and pioneer of the discount store concept in the early 1960s, was rewarded for its invention for one fleeting moment in the late-1980s, when it became the world's biggest retailer.

Now, in the 1990s, it is still near the top of the league in terms of annual sales – but in terms of last year's profits, it looks like a company on the ropes.

After five years of disappointing earnings, Kmart went from bad to appalling with the figures it reported on Monday.

For the fourth quarter to January, it turned in net losses of $1.2bn, compared with net profits of $535m last time. For the year as a whole, it reported net losses of $974m, compared with net profits of $941m a year earlier.

Admittedly, there were special factors at work. During the fourth quarter, it incurred costs of nearly $1.9bn pre-tax for the disposal of some operations and the restructuring of others.

However, even after stripping out all the unusual charges, and ignoring the losses made by the discontinued operations, the group would only have shown net income for the year of $534m – clearly unsatisfactory for a group with sales of $34.2bn.

In contrast, Kmart's bigger rival, Wal-Mart, reported net income of $2.3bn on turnover of $67.3bn for the same period, even after acquiring Kmart's loss-making Pace Membership Warehouse operations during the year.

However it's not only the financial performance of the two companies that separates them: they have also followed contrasting strategies.

While Wal-Mart has stuck closely to general merchandising, either through its discount stores or membership warehouses, Kmart has bamboozled observers with its changes of direction.

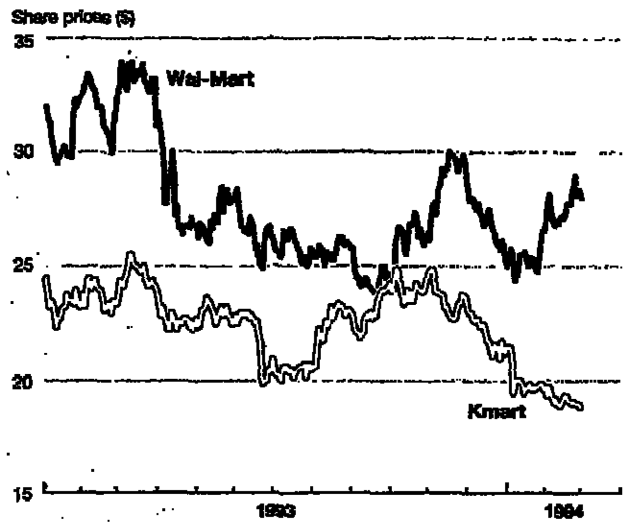
These started in the 1980s when, faced with growing competition from Wal-Mart and other discount-store operators, it started looking for new sources of profits growth.

Following Woolworth's example, it decided specialty retailing was the answer, and set about using the cashflow from its discount stores to gain a foothold in new sectors.

It bought or set up the PayLess Drug Stores chain, the Waldenbooks and Borders book stores, the Sports Authority sporting goods shops, the Builders Square home improvement stores, and the OfficeMax office supplies chain.

Confusingly, however, it also sought to expand in general merchandising by making forays into the hypermarket or membership warehouse business, first by taking a stake in the Makro hypermarket chain and then buying the Pace Membership Warehouse operation. Both ventures proved unsuccessful, ending in heavy write-downs.

Next, the core of its strategy started to weaken when it discovered that the discount stores could not be relied upon to generate the cash required, because they needed heavy investment to survive the competition from Wal-Mart and other discount store groups.



Source: Datastream

In 1990, Kmart responded to the competitive threat by launching a costly modernisation programme for the discount stores.

By 1992 it had reached its goal of refurbishing 450 stores a year. However, it abruptly scaled back the programme, saying it wanted to consider re-entering the hypermarket sector with a new Super Kmart format.

In January, another about-turn came when Kmart announced that the results coming through from the refurbished discount stores were so good the modernisation programme would resume, absorbing the larger part of a $1.3bn restructuring charge.

Meanwhile, back in retailing, the PayLess Drug Store chain produced unimpressive results and was sold last year. Taken as a whole, the other specialty retailing operations have delivered profits falling short of target and, in January, Kmart announced it planned to sell between 20 and 30 per cent of their equity in a series of stock sales.

An optimistic view of Kmart's outlook for 1994 would be that all the bad news had been cleared away, and that the company was poised for growth. However, the state of the share price, hovering close to its 12-month low of $18¾, suggests that few in the market subscribe to that view.

Kmart's lack of a clear strategic direction is only one reason for the pessimism.

The other is that it is not up to the competition with Wal-Mart because the latter is simply a better retailer. Last year, for example, the poor financial performance of Kmart's discount stores was largely explained by the fact that it overstocked on goods that people did not want, and ran out of things they did want.

Analysts say this does not happen at Wal-Mart, because it is ahead in using technology to match what people want with what it stocks.

"Wal-Mart has a much better read of what is selling in its stores, so it doesn't carry dead inventory," says Ms Maureen McGrath of Smith Barney Shearson, the Wall Street brokerage house.

Kmart has also invested in technology, but it has not been enough to stop Wal-Mart's inexorable growth. Last year, Wal-Mart's sales – already twice the size of Kmart's – rose by more than 20 per cent, and analysts believe they will advance by another 20-25 per cent this year.

Since the market itself is barely growing, something else will have to give. Seen in that context, Kmart's troubles seem far from over.

Canada considers cutting oil holding

By Bernard Simon

Canada's Liberal government is considering a further cut in its 70 per cent stake in Petro-Canada, the integrated oil and gas producer set up in the mid-1970s to give Ottawa a window on the energy industry.

Ms Anne McLellan, Natural Resources minister, said she and the secretary of state for finance were reviewing Petrocan's ownership.

"Everybody is saying that with share prices where they are, it may be time for the federal government to take a look at what it wants to do," she said. Other, unspecified, options were also being considered.

The previous Progressive Conservative government began privatising Petrocan in mid-1991, when it sold 42m shares to the public at C$13 a share. The share price began sliding shortly afterwards, reaching a low of C$7.38 last year.

However, it has recovered sharply in recent months. The shares were trading at C$13.50 on the Toronto stock exchange yesterday.

A sweeping reorganisation, including asset disposals, and a jump in natural gas prices have contributed to a significant improvement in financial performance. Earnings totalled C$162m (US$120m) last year on sales of C$4.6bn.

Low newsprint prices keep Abitibi in red

Low paper prices drove Abitibi-Price, the world's biggest newsprint producer, to its fourth consecutive year of losses in 1993, writes Bernard Simon.

The Toronto-based company said newsprint prices in North America had shown no signs of recovery this year.

However, it was counting on a combination of higher off-shore prices, a 7 per cent cut in North American discounts, and price rise to lift operating results during 1994.

Net losses last year totalled C$121.7m (US$90.1m), or C$1.71 a share, a significant improvement on 1992's C$220.9m deficit, equal to C$3.19 a share. The results include a narrowing in losses from discontinued operations, to C$13.4m from C$27.8m.

Sales rose to C$1.87bn from C$1.60bn while operating losses fell to C$39.8m from C$138.1m.

Coca-Cola looks to the Grape Beyond

By Richard Tomkins in New York

It sounded more like a fringe meeting at a New Age rave than a product launch. Against a background of weird, throbbing music, the man at the podium talked of yin and yang, body and soul, life, the universe, and everything.

However, to nobody's great surprise, it quickly emerged that Coca-Cola had not decided to give up the business of money-making for a life of philanthropy and consciousness-raising.

Rather, it was signalling plans to grab a slice of the market for so-called New Age beverages, the fastest-growing sector of the US soft-drinks market.

Coca-Cola's weapon in the New Age drinks war is a product called Fruitopia, a vaguely psychedelic-looking range of bottled drinks that turns out to consist of nothing but water, sugar, fruit juice and natural colouring.

However, if the contents of the bottles are prosaic, the labels are not. They carry pictures dotted with the words "mind", "body" and "spirit", and the drinks have names like Raspberry Psychic Lemonade, Strawberry Passion Awareness, Total Fruit Integration and Citrus Consciousness.

The bottles also carry mind-expanding epigrams. On the bottle of Grape Beyond, for example, the slogan says: "Things that are still right in the cosmos: the perfection of a circle, Beethoven's 9th, Grape Beyond."

The launch of its Fruitopia is seen as a clear attempt by Coca-Cola to replicate the phenomenal success of a range of similar fruit drinks made by the New York-based Snapple Beverages, a stock-market flyer since it went public a year ago.

By coincidence, Snapple yesterday reported net profits soaring to $67.6m in the year to December, from a pro-forma $18.3m last time. Its shares, however, sank $1⅞ to $27⅞ as news of the Fruitopia launch emerged.

The total market for New Age beverages – loosely defined as "natural" drinks like iced teas, fruit juices, bottled water and sports drinks – is estimated to be worth $6bn, and Coca-Cola has only 8 per cent of it. The company expects the Fruitopia launch to take that share to 15 per cent initially, and to 30 per cent within three years.

Mr Sergio Zyman, Coca-Cola's senior vice-president and chief marketing officer, said the product would be available in US stores in four weeks, and in three or four other countries soon after. Its launch would be backed by a $30m marketing campaign.

Snapple seemed unconcerned by the move. All that extra advertising would simply accelerate the market's growth, it said. And, asked why so many people were suddenly buying New Age beverages, it suggested: "Maybe they're sick of Coke."

Portuguese telecom climbs 14%

By Peter Wise in Lisbon

Radio Marconi, Portugal's international telecommunications operator, yesterday announced a 14 per cent rise in consolidated net profits in 1993, to Es4.2bn ($24.2m). Sales grew 16 per cent, to Es46.5bn, and cashflow rose 17 per cent to Es9.2bn.

The private shareholders of Marconi, which is 51 per cent state-owned, will decide this year on a government proposal to merge the company with Portugal's three other wholly state-owned telecommunications operators. The new company would be known as Portugal Telecom.

The government plans to privatise up to 49 per cent of Portugal Telecom, and will sell part of the equity to a strategic foreign partner.

Mr Goncalo Sequeira Braga, president, said that despite recession in 1993, Marconi reduced total debt from Es25.4bn in 1992 to Es19.3bn last year.

Market capitalisation more than doubled.

Argentine banking opened still further

By Stephen Fidler, Latin America Editor

Financial institutions from the US and Europe are exploring the possibility of starting operations in Argentina following a government decree last week which further opened the banking system to foreign competition.

Mr Roque Fernandez, president of the central bank of Argentina, said those applying to open branches included the financing arm of General Motors, GMAC, and a Chilean group. Other applications were expected from US and European banks.

Mr Fernandez was in London for talks with the Bank of England. He hopes to persuade the Bank that his institution is capable of supervising Argentine banks' international activities – thereby paving the way for the opening of further Argentine bank offices in London. He is also talking to banking authorities in Spain, the US and Japan.

Last week's decree brought protests from Argentine banks. Mr Fernandez said the Argentine banking system was competitive – 200 financial institutions were now operating compared with 800 in 1980. However, there has been concern among businesses about high lending margins.

Spanish cement group earnings up by 58%

By David White in Madrid

Valenciana de Cementos, the leading Spanish cement producer which is controlled by Cemex of Mexico, defied an overall decline in the cement market last year and increased group after-tax profits by 58 per cent to Pta5.61bn ($40.1m).

Part of the increase came from the inclusion of the last three months' figures from Sanson, another cement producer brought into Valenciana last year.

Both companies, formerly controlled by the Banco Español de Crédito (Banesto) banking group, were bought by Cemex in 1992.

Net operating profit for the group rose more than fourfold to Pta7.69bn, mainly due to improved production processes and cost-cutting, as well as price increases.

The group's sales, excluding those of Sanson, were 5.7 per cent down at Pta48.07bn but the decline was less than half the estimated overall decline in cement sales during the year. Including the Sanson figures, turnover was Pta50.94bn, which was 4.3 per cent more than for 1992.

Valenciana, which represents about a third of Cemex's business worldwide, said it expected a slight recovery in the market this year.

Ipsco capacity rises 24%

Ipsco, western Canada's only basic steelmaker, ran at full capacity last year with shipments peaking at 1m tonnes, up 24 per cent from 1992.

Demand was strong for sheet, oil and gas well tubing and fabricated products, but large diameter pipe business was weaker.

Fourth-quarter net profit was C$9m (US$6m) or 39 cents a share, up from C$6.1m or 38 cents on fewer shares outstanding a year earlier. Revenues were C$168m, against C$140.5m.

For the full year earnings were C$28.7m or C$1.42, compared with C$15.5m or 98 cents.

Hunting in Argentina's bargain basement

International companies are finding strong takeover targets, writes John Barham

Mergers and acquisitions in Argentina once meant finding a local company to take over the business of a multinational fleeing the country's political and economic chaos.

But a successfully-completed $20bn privatisation programme, rapid economic growth and pro-business government policies have put Argentina firmly back on the international business map. Recently there has been a rash of takeover announcements by foreign companies and more are expected.

● Procter and Gamble bought food giant Bunge y Born's 78 per cent stake in Compañia Quimica, which makes detergents, for $52.5m.

● RJR Nabisco signed a letter of intent with the owners of biscuit-maker EM Terrabusi to buy out their controlling stake in the company, which has a market capitalisation of $280m.

● Chile's CNTI bought SAIAR, Argentina's leading maker of household water heaters, for an undisclosed amount. Chilean investors have become aggressive buyers of Argentine companies, buying into industries ranging from ceramics to large portions of the privatised electricity sector.

In most cases, target companies are too small or badly-managed to survive alone in Argentina's liberalised market. Often they are family-owned businesses with succession difficulties, or face insurmountable financial or technological problems.

Buyers are attracted by an economy expected to grow 5-6 per cent a year to the end of the decade. Furthermore, the performance of most local companies can be rapidly increased with strong management, capital and technology.

The Exxel Group, a Buenos Aires-based buy-out company, has bought paper, soap and electricity companies and shows what strong management can achieve. Mr Juan Navarro, Exxel president, says that at one of his acquisitions, "we cut overheads by 35-40 per cent, increased output by more than 60 per cent in six months and cut 10 per cent of the staff".

Multinationals usually look for branded mass consumption goods, with little debt, where they can add value rapidly. The food industry is a leading acquisition target. Argentina's pampas, those vast grasslands and wheat prairies, make it a large-volume, low-cost agricultural producer.

As well as RJR Nabisco, food groups such as Nestlé and Cadbury-Schweppes have been buying companies in Argentina recently.

Results for the trailblazers have been impressive. In 1991, when US tobacco and food giant Philip Morris acquired Swiss chocolate maker Suchard, the Argentine subsidiaries of both companies came together just as the economy began an unexpected recovery.

Mr James Stewart, Philip Morris's local general manager, says: "We used the retained earnings from Suchard to finance [later] acquisition of an ice cream company and the Tang powdered drink company." He says revenues from the food business have risen fivefold and income 8.5 times since 1991.

The US investors who bought a bankrupt Pepsi bottler in 1989 have been even more successful. The investors, led by Mr Charles Beach, paid a nominal sum for the bottler Baesa, but invested more than $200m to build it into a company with listings in New York and Buenos Aires and a market capitalisation of $940m.

Mr Beach had seen the potential of a market with rising incomes and repressed consumption. Argentines drink fewer soft drinks than consumers in other developing countries. Mr Rafael Farace, Baesa's finance director, said "promotion, marketing, efficient production, innovation and distribution were the keys of our success".

Sales grew to $268.8m last year from $31.5m in 1990. Margins rose by a third to 41 per cent. Pepsico has awarded Baesa franchises in Chile, Uruguay, southern Brazil and southern Argentina, and helped finance the expansion by paying $35m for 26 per cent of Baesa.

As well as food, attention has focused on the underdeveloped but highly promising financial services industry. The petrochemicals industry, until recently given up for dead, is showing signs of recovery. Argentina has a large number of small car parts companies, many of which are in need of consolidation and radical reorganisation.

Inevitably, buyers arriving late at the party are having to pay higher prices for less attractive companies. Argentina has few companies that turn over more than $100m a year, and most are owned by families that usually surrender control only as a last resort.

Putting a price on a company is hard at the best of times, especially as accounting standards are lax. Furthermore, rapid economic change makes past performance a poor guide to a company's value. Investment bankers say prices have more than doubled in three years to an average 10-15 times earnings.

However, analysts believe British food and beverage group Cadbury-Schweppes has paid too much for Stani, a local sweet company it bought last October. Mr Stephen Ward, Cadbury's managing director for the Americas, will not disclose the price, but says Stani was a good buy: "Stani gets high marks for leadership, management, with strong brands and a good position in the marketplace."

Despite rapid growth, Argentina, with a population of only 32.6m, is not a big market. However, international companies striving for a global market presence cannot ignore it.

The growing pace of trade with Chile and economic integration with Brazil through the Mercosur customs union make the regional dimension increasingly important. Mr Ward says Stani is a "stepping stone" for Cadbury's expansion in the region.

NEC, Samsung to extend co-operation

By Our Financial Staff in London and AP-DJ in Tokyo

NEC of Japan and Samsung Electronics of South Korea, two of the world's largest memory chip manufacturers, plan a joint development of next-generation memory chips, expanding their existing co-operation agreements, NEC said yesterday.

The two companies are aiming for an agreement by the middle of this month on a development of 256-megabit dynamic random access memory (D-Ram) chips which could cost up to Y100bn ($960m).

Japanese semiconductor makers, who have superior manufacturing technology, have previously teamed up with US chip manufacturers, but are now increasingly turning to South Korea as technology there advances.

Japan's leading semiconductor makers have this year begun mass producing 16-megabit D-Ram chips, and are planning to start sample shipments of 64-megabit D-Ram chips. Analysts believe that samples of the 256-megabit chips are likely to be available in 1997 or 1998.

But the more advanced the semiconductor, the more expensive it is to develop, the NEC spokesman said. He said the cost of developing the 256-megabit D-Ram chip is seen "in the tens of billions of yen".

The NEC spokesman said the accord with Samsung would spread the risk, and allow mutual supply by unifying production specifications.

NEC and Samsung have already agreed to exchange information on the 256-megabit D-Ram cell structure and Samsung has asked for NEC's help in developing the logic integrated circuit, which relies heavily on process technology.

Samsung is South Korea's largest semiconductor maker and, based on sales, ranked seventh in the world last year, for the first time breaking into the top 10.

NEC, the world's second-largest chip maker behind Intel of the US, holds more than 50 per cent of Japan's personal computer market.

Arnotts posts 16% rise to A$44m at halfway stage

By Nikki Tait in Sydney

Arnotts, the Australian biscuits, snacks and confectionery company now majority-owned by Campbell Soup of the US, yesterday reported a 16.6 per cent increase in after-tax profits before abnormal items, in the six months to the end of December, to A$44.2m (US$31.5m), and said it was confident of meeting its full-year forecast of A$80.9m.

There were no abnormal charges in the latest half-year, but the first half of 1992-93 included a A$15.8m surplus, taking the group's net operating profits for that period to A$53.8m after abnormals.

Yesterday, Mr Paul Bourke, Arnotts managing director, admitted that underlying sales advances had been extremely difficult to achieve during the six months. Arnotts' total sales fell from A$344.8m to A$332.8m, although Mr Bourke said that if asset disposals were excluded, there was a small 1.3 per cent increase. The underlying increase in volumes was just 0.9 per cent.

Overall, sales for the core Australian biscuit division were similar to the corresponding period a year ago, but Arnotts said that the contribution for the newly-launched snack products range had been "lower than anticipated". Mr Bourke also conceded that lower media spending had helped the profits increase.

He said Arnotts' planned move in Asian markets was progressing, with discussions under way which could lead to biscuits being manufactured in southern China within a year to 18 months.

Star TV ends legal battle with Wharf Cable

By Louise Lucas in Hong Kong

Star TV, the Asian broadcasting giant 63.6 per cent owned by Mr Rupert Murdoch's News Corporation, has averted a legal dispute with Wharf Cable, the fledgling Hong Kong network, by announcing it will not enforce a nine-month old agreement to supply programming to the cable operator.

The move ends months of wrangling, which culminated in January when Wharf took court action to scrap its licensing agreement, under which it is required to screen four premium channels and three existing Star channels – MTV, the BBC World Service and Prime Sport.

Wharf started proceedings against Star after seven months spent "attempting to conclude an agreement with successive Star TV managements".

Mr Gary Davey, the third chief executive of Star TV in six months, said: "Star TV has reluctantly come to the conclusion that a workable relationship with Wharf Cable is simply not possible under the present agreement.

"We are hopeful that by taking this action the whole issue will be looked at in a less contentious manner and help us move forward in finding a way to make these services available to Hong Kong viewers."

Wharf Cable said it was sorry to see Star's plans to launch new regional pay TV services will be further delayed and noted that in order to continue to expand viewers' choice it would endeavour to source quality channels from a wide range of other regional providers as well.

● Shell Electric Manufacturing, a Hong Kong electric-appliance maker, reported net profits of HK$139.6m (US$18.1m) for the year to October 31 1993, up 73 per cent on the previous year.

Revenues totalled HK$1.3bn, against HK$1.2bn, and second-half dividend is raised to 11.5 cents from 8 cents.

World waits for the second Chinese wave

Louise Lucas looks at the batch of companies set for overseas listings this summer

The second batch of China state-run companies slated for overseas listings is likely to hit Hong Kong – or, in some cases, New York – around July, roughly a year after Tsingtao Brewery, producer of the only internationally recognised Chinese beer, made its trail-blazing debut.

On that occasion the mood was euphoric: the stock rose 29 per cent on its offer price, and up to 100 regulatory and industry dignitaries trooped into the Hong Kong stock exchange gallery for toasts of Tsingtao. But there were also plenty of teething problems, exacerbated by debates over the preferred route the global offering should follow to ensure optimum pricing and whether primary listings should be sought beyond the colony.

Things are expected to be altogether different this summer. While analysts reckon there is still sufficient long-term interest in China to outweigh the current raft of uncertainties over the way in which tax and currency reforms will affect companies, the fact remains that increased supply will mop up some of the froth.

Glyn Genin

Tougher trade: this time the HK SE expects increased supply to mop up some of the earlier froth

Looking at the 22 state companies approved for overseas listings, professionals report a far greater will and ability to streamline and adapt operations in order to woo the international investors. The resistance encountered last year is, they say, already history.

Mr Meocre Li, managing partner of Arthur Andersen Hong Kong and China, cites the example of one of the early companies which his firm visited. The company insisted it did not want to undergo any restructuring: it wanted the world to see what a socialist-style company looked like. Ultimately, it had to forgo its ideals, but not before other accountants had passed through its doors and delivered the same verdict.

So far down the road have China bosses come – only recently, releasing commercial information to foreigners would have landed company directors in jail – that at least four of the 22 are aiming for Wall Street, where disclosure requirements are far greater than in Hong Kong.

These include Shandong Huaneng Electricity Joint Stock Power Company and Huaneng International Joint Stock Company, both power supply companies, and perhaps China Southern Airlines and China Eastern Airways.

The attraction of New York over Hong Kong is broadly threefold: price/earnings ratios are greater and so companies can raise more cash; there are fewer China companies available; and – not at all least important in Chinese eyes – New York is perceived as carrying higher prestige.

Some China companies already listed in New York are trading on an average p/e of around 30 times whereas the first batch of H shares (Chinese company shares listed in Hong Kong) came on line in the colony with p/e ratios of around 10 to 15.

Some analysts believe one or two companies may achieve a listing in London especially as the stock exchange there has been lobbying in China.

Mr Charles Lee, chairman of the Hong Kong stock exchange is undaunted by the competition – pointing out that this is after all what the free port of Hong Kong thrives on – and says the Beijing State Council's decision to test the waters in New York is very much by way of a small pilot run.

Feedback from New York and Tokyo, he says, shows that institutional investors tend to prefer shares having their primary listing in Hong Kong, because Hong Kong can better understand – and more realistically price – the issues.

He illustrates this with the case of Shanghai Petrochemical, one of last year's biggest H share issuers. Only about 30 per cent was offered in the colony with the remainder going abroad – mainly to the US. Yet trading over the past couple of weeks has shown that volumes in Hong Kong are four times those in New York.

It is inevitable that the bulk of the second batch of companies will wind up in Hong Kong: the colony's stock exchange last year signed a special Memorandum of Understanding with its counterpart in Beijing which smooths the way for mainland enterprises to list, by promoting co-operation between the two parties.

H shares *per se* may no longer be a novelty, but the second line-up offers investors their first bite at some of the hottest China sectors – - infrastructure and aviation, key beneficiaries of a developing middle class and government commitments to breathe life into poor power and transport facilities.

Ms Dora Hung, analyst with Goldman Sachs in Hong Kong, says: "People expect short-term volatilities following changes in China's policy and the tax structure. No-one yet knows how the government will implement some of these changes. It takes time for things to run smoothly with new regulations coming into force, but for people investing in China they know they must look long term."

NEWS DIGEST

CSR steps up expansion into Asia

By Nikki Tait

CSR, the Australian building materials and sugar group, yesterday stepped up its foray into Asia, acquiring a 50 per cent interest in Corinthian Industries (Singapore) for A$35m (US$25m).

The company makes wooden doors and door components in Malaysia, Singapore and Indonesia and has sales of around A$120m. The new joint venture will be headquartered in Kuala Lumpur. It is the latest in a spate of Asian investments by CSR, which have included a A$45m investment in a Tianjin-based quarrying and concrete business in northern China last week.

Sakura Bank links with US accountants

Sakura Bank, one of Japan's biggest banks, is linking up with the US accounting firm Arthur Andersen to help meet the growing demand in Japan for advice about investing abroad, AP-DJ reports from Tokyo.

Under the agreement, Sakura will refer consulting requests from its Japanese customers to Chicago-based Arthur Andersen, which has offices worldwide.

Arthur Andersen's strength in consulting about China is a key reason for the deal, a Sakura official said.

Casio sees new products boost

Casio Computer, the leading Japanese digital watchmaker, said it expected its parent profits to jump between 20 and 25 per cent to Y11.5bn ($109m) in 1994-95 as a result of planned new products, Reuter reports from Tokyo.

A spokesman said parent sales were forecast to rise between 5 and 10 per cent to Y350bn.

Bundaberg Sugar raises offer for crushing mills

By Nikki Tait

Bundaberg Sugar, the Australian sugar producer owned by Tate & Lyle of the UK, yesterday raised its A$87m (US$62m) bid for two crushing mills in northern Queensland.

Bundaberg, acquired by Tate & Lyle for A$325m three years ago, said it was increasing its offer for the 30,000 shares in the Tully Sugar mill from A$1,600 a share to A$2,160 a share. Its offer for the 3.9m shares in South Johnstone goes up from A$9.40 to A$12.25, increasing the total value of the bids by around A$26m, to approximately A$113m.

Mr Geoff Mitchell, managing director of Bundaberg, said that the increased offer was an effort to address issues raised by shareholders, including "current profitability, retained earnings, grower control and prospects". Bundaberg, which announced its original offers in October, said that "the proposal to invest in the north Queensland sugar industry now represents a total commitment of some A$125m".

The mills said that the offers would be referred to their financial advisers.

INTERNATIONAL CAPITAL MARKETS

US Treasuries drop on fresh inflation fears

By Patrick Harverson in New York and Conner Middelmann in London

US Treasury prices dropped sharply at the long end of the maturity range yesterday morning as investors took fright at news of an increase in the latest purchasing managers' monthly price index.

By mid-day, the benchmark 30-year government bond was down 1 point at 93¾, yielding 6.735 per cent. The two-year note was also lower at the halfway mark, down 1/16 at 99 22/32, yielding 4.758 per cent.

The National Association of Purchasing Management's February report showed the index of nationwide manufacturing activity to have fallen from 57.7 in January to 56.6, which would normally be good news for bonds.

However, the decline was mostly explained away by analysts as the result of the severe winter weather that struck large parts of the US in February.

Instead, investors focused on the sharp jump in the association's price index, which climbed from 59.8 to 67.0. This, plus a big increase in the NAPM's employment index, spooked the market, which is extremely sensitive to signs of inflation, particularly wage inflation. The result was heavy selling of bonds throughout the morning.

The day's other news was an upward revision in the government's estimate of fourth-quarter gross domestic product from growth of 5.9 per cent to 7.5 per cent.

This was clearly bearish for bonds – the original 5.9 per cent figure had unsettled investors in the first place, so the large upward revision was doubly worrying – but traders said it ultimately had little impact upon prices, primarily because it was regarded as old news and so had already been priced into the market.

■ European government bonds fell sharply on the back of weak US Treasuries and a smaller than expected monetary easing in the Bundesbank's latest open market operation.

GOVERNMENT BONDS

At the Bundesbank's allocation of two-week securities repurchase agreements, the minimum repo rate fell by three basis points to 5.97 per cent. That was less than the five to 10-basis point fall most traders had been calling for and was seen to indicate that the Bundesbank's pace of easing remains extremely cautious.

In the afternoon, selling was fuelled by the sharp drop in US Treasuries triggered by the NAPM report. "This confirms my medium-term scenario that Europe can't decouple from the US," said Kirit Shah, international strategist at First Chicago.

New supply in several European markets put a further damper on prices. "With no buyers around, how are governments going to finance their deficits?" questioned one trader.

■ Europe's high-yielding bond markets were especially hard-hit by yesterday's sell-off. The Italian long bond future on Liffe fell by 2.10 points to 111.

Following the dismal reception of Monday's three and five-year auctions, the prospect of L7,500 of new 10 and 30-year bonds triggered a sharp sell-off in the morning. In the event, the result of the long-dated auctions was better than feared, but traders said the paper would continue to weigh on the market.

Spanish bonds did even worse, pounded by heavy foreign selling, the long bond future in Madrid falling by 2.20 points to 99.59.

■ French bonds also slid by more than a point on the back of the German repo and US Treasuries weakness. The March notional bond future's breach of technical support at 126.36 opened the floodgates for further selling, mostly by foreign accounts, traders said. It fell by 1.22 points on the day to close at 125.74, but slipped further to 125.10 in after-hours trading.

■ UK gilts fell by two points at the long end, under-performing core European markets. After falling in line with other bond markets, talk of large overseas selling knocked prices even lower. The March long gilt future fell by 2¾ points to close at 111¾.

"After outperforming on the upside over the last few days and getting lulled into a false sense of security, gilts outperformed on the downside yesterday," said Mr Simon Briscoe, UK economist at SG Warburg Securities. "The market fell two points on absolutely no news or fresh supply - that has to be a cause for concern," he added.

■ German bonds also weakened on disappointment over the repo and the slide in US Treasuries, and were further pressured by the sale of DM3bn of new 10-year bonds for the Treuhandanstalt. Another tranche of the issue is due to be auctioned today. In after-hours London trading, the March bund future was down 1.06 points from Monday's close at 95.86.

World government bonds suffer heavy losses in February

By Sara Webb

World government bond markets suffered heavy losses last month, sparked by the combination of US inflation worries, concern about the slow pace of monetary easing in Europe, and heavy selling of European bond futures by US hedge funds.

The UK was the worst performing government bond market, with a loss of 3.47 per cent in February in local currency terms, according to figures compiled by JP Morgan Securities.

Spain was the next worst performing market, with a loss of 2.79 per cent, followed by Canada with a decline of 2.68 per cent.

Japan was the top performing government bond market, but still showed a loss of 0.71 per cent in local currency terms. However, in US dollar terms, Japanese government bonds showed gains of 3.92 per cent, helped by the strengthening of the yen against the US currency last month, and putting the JGB market well ahead of the other main government bond markets.

The event which triggered the fall in government bond prices was the decision by the US Federal Reserve on February 4 to raise short-term interest rates to curb inflationary pressures.

However, the move had the effect of heightening concern in the markets about the prospect of rising US inflation and further tightening by the Fed.

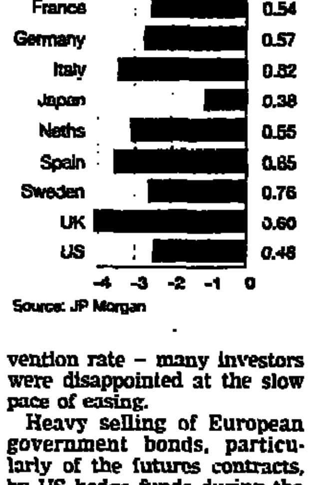
Despite small cuts in interest rates across Europe last month – including a 25 basis point cut in the UK base rate, a 50 basis point cut in Germany's discount rate, and a 10 basis point reduction in the French intervention rate – many investors were disappointed at the slow pace of easing.

Heavy selling of European government bonds, particularly of the futures contracts, by US hedge funds during the last two weeks of February pushed the European markets down strongly.

● France's economy minister, Mr Edmond Alphandery, is to loosen drastically issuing procedures in the French domestic bond market to bring them into line with those in the Eurofranc market, Reuter reports from Paris. He said that issuers would, however, still be able to book a time spot for issuance if they wanted to have priority. He gave no further details.

Mr Alphandery also said issuers and intermediaries would do away with a one-day delay between payment and making funds available and reduce the costs of financial services for new issues.

Bond market returns



Source: JP Morgan

Lacklustre demand for African Development Bank

By Tracy Corrigan and Sara Webb

The African Development Bank took advantage of calmer market conditions at the start of this week to launch its $500m 10-year Eurobond, via Lehman Brothers and Salomon Brothers. But despite being reasonably priced, the deal met lacklustre demand, according to syndicate officials.

"Investors were relieved that the last 24 hours had been better, but they are not in buying mode," said one syndicate manager.

The African Development Bank deal suffered as inflationary fears prompted by the latest spate of US economic data prompted a further sell-off in US Treasuries.

The deal was priced to yield 28 basis points above the 10-year US Treasury. For investors, this represents a yield pick-up of about 8 basis points over the Asian Development Bank's recent 10-year deal, currently trading at 20 basis points over the Treasury.

Dealers described the pricing as offering fair value, but said

INTERNATIONAL BONDS

that they had seen little buying interest. The spread widened slightly to 29 basis points.

The deal was issued under the bank's $500m Euro medium-term note programme, which is now likely to be increased, according to its treasurer, Mr Kofi Bucknor. The bank expects to borrow a further $500m this year.

The proceeds were swapped into floating-rate dollars. Dollar swap spreads have widened slightly as the bond market has sold off, creating some better arbitrage opportunities.

The market saw heavy new issuance in the equity-linked sector by Japanese borrowers, with $1.1bn in US dollar-denominated issues and SFr270m of Swiss franc-denominated issues.

In the face of such heavy supply, investor demand for the issues appeared fairly weak, although syndicate officials said they expected to sell the issues over the next few days. Buying was mainly from Europe, although some demand was reported from the Middle and Far East.

Investors were a mixture of arbitrageurs – who were buying the warrants and shorting the stock – and traditional equity-linked investors who want exposure to the stock.

Dealers said the heavy supply was purely coincidental rather than a reflection of suitable market conditions.

Tobu Railway launched the biggest equity-linked deal of the day, a $400m four-year bond issue with warrants.

One dealer said several Japanese borrowers were expected to launch equity-linked deals ahead of the introduction of new accounting rules in April.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
African Development Bank	500	6.50	99.35R	Mar.2004	0.325R	+28 (5¾%-04)	Lehman Bros./Salomon Bros.
Tobu Railway Co.(a)ɸ	400	1.125	100.00	Mar.1998	2.25	-	Yamaichi Intl.(Europe)
Cosmo Oil Co.(b)ɸ	300	1.00	100.00	Mar.1998	2.25	-	Nomura International
Hitachi Zosen Corp.(a)ɸ	200	1.125	100.00	Mar.1998	2.25	-	Nomura International
Empresas ICA(c)§	135	5.00#	100.00	Mar.2004	2.50	-	Baring Brothers & Co.
Banco Nacional de Mexico‡	100	(d)	100.00R	Mar.1996	0.40R	-	Kidder Peabody Intl.
Republic of Iceland‡	47	(e)	99.95R	Mar.1999	0.25R	-	Nomura International
SWISS FRANCS							
Toyo Shutter Co.(f)*ɸ	120	0.125	100.00	Mar.1998	-	-	Credit Suisse
European Sovereign Inv.(g)*‡	50	(h)	100.40	Jan.1997	-	-	Credit Suisse
European Sovereign Inv.(g)*‡	50	(i)	100.40	Jan.1997	-	-	Credit Suisse

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ɸWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: 8/3/94. b) Fixing: 9/3/94. c) International tranche of $435m US domestic deal. Conv into ADS's at $33.15. Callable from 7/3/98 with 2 yrs of 130% protection. d) 6-mth Libor +1%. e) 3-mth Libor +¼%. f) Fixing: 7/3/94. g) Secured by European Union Govt bonds. Short 1st coupon. h) Tranche A: 4% fxd to 7/1/95 and 3-mth Libor flat thereafter. i) Tranche B: 3-mth Libor flat.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	116.1600	–0.180	6.94	6.69	6.14
Belgium		7.250	04/04	101.3000	–0.600	7.06	6.88	6.51
Canada *		6.500	06/04	96.2000	–0.350	7.03	6.83	6.36
Denmark		7.000	12/04	102.5500	–0.400	6.66	6.49	6.01
France	*BTAN*	*8.000*	*05/98*	*108.4900*	*–0.030*	*5.42*	*5.42*	*5.10*
	OAT	5.500	04/04	93.7500	–1.240	6.35	6.05	5.68
Germany		6.000	09/03	98.4500	–0.900	6.21	6.00	5.70
Italy		8.500	01/04	94.1500	–2.260	9.42†	8.73	8.37
Japan	No 119	4.800	06/99	106.1980	–0.240	3.42	3.15	2.93
	No 157	4.500	06/03	104.8810	–1.390	3.79	3.49	3.43
Netherlands		5.750	01/04	96.8900	–0.670	6.18	5.98	5.66
Spain		10.500	10/03	108.7000	–3.050	9.09	8.36	7.76
UK Gilts		6.000	08/99	97–29	–21/32	6.47	6.18	5.69
		6.750	11/04	97–12	–48/32	7.14	6.78	6.15
		9.000	10/08	115–00	–58/32	7.31	7.03	6.51
US Treasury *		5.875	02/04	97–30	+5/32	6.16	6.06	5.63
		6.250	08/23	94–16	+8/32	6.68	6.61	6.21
ECU (French Govt)		*6.000*	*04/04*	*94.9000*	*–1.000*	*6.71*	*6.66*	*5.95*

London closing. *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime rates / Treasury Bills and Bond Yields

		One month	3.14	Two year	4.77
Prime rate	6	Two month	3.49	Three year	5.14
Broker loan rate	5	Three month	3.58	Five year	5.70
Fed.funds	3⅛	Six month	3.81	10-year	6.24
Fed.funds at intervention	3⅛	One year	4.09	30-year	6.74

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	126.92	125.74	-1.22	126.92	125.58	336,528	150,907
Jun	126.48	125.32	-1.20	126.48	125.24	16,226	67,069
Sep	125.74	124.56	-1.20	125.74	124.64	914	10,441

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Apr	Calls Jun	Calls Sep	Puts Apr	Puts Jun	Puts Sep
127	0.38	0.75	-	-	2.33	-
128	0.16	0.48	-	2.82	3.04	-
129	0.07	0.27	0.50	-	-	-
130	0.03	0.14	-	-	-	-
131	-	0.08	-	-	-	-

Est. vol. total, Calls 55,564 Puts 56,341. Previous day's open int., Calls 267,996 Puts 233,289.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.05	96.20	+4.79	97.05	95.87	260081	143398
Jun	96.77	95.98	+4.47	96.77	95.72	65497	112663
Sep	96.55	95.85	-0.67	96.55	95.95	892	3315

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9550	1.42	1.80	0.94	1.25
9600	1.15	1.38	1.17	1.51
9650	0.92	1.14	1.44	1.79

Est. vol. total, Calls 18729 Puts 35638. Previous day's open int., Calls 179718 Puts 168456

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.07	100.80	-0.29	101.11	100.79	1998	8029
Jun	101.22	100.80	-0.27	101.22	100.75	1265	628

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	112.15	111.12	-1.74	112.28	110.60	108673	81375
Jun	112.15	111.09	-1.80	112.30	110.60	35897	66178
Sep		111.05	-1.74			0	1

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11100	2.54	2.78	2.45	2.73
11150	2.32	2.54	2.73	2.99
11200	2.09	2.31	3.00	3.26

Est. vol. total, Calls 4441 Puts 6472. Previous day's open int., Calls 48706 Puts 40535

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	*101.92*	*99.61*	*-2.20*	*101.92*	*99.59*	*97,294*	*128,532*
Jun	101.85	99.93	-2.15	101.85	99.45	4,556	40,179

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	113-15	111-29	-1-19	113-17	111-11	82206	72989
Jun	112-21	110-30	-1-24	112-22	110-10	82649	113670
Sep		110-02	-1-24			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
110	2-28	2-49	1-32	2-45
111	1-58	2-20	1-62	3-16
112	1-29	1-58	2-33	3-54

Est. vol. total, Calls 5066 Puts 6802. Previous day's open int., Calls 45356 Puts 38437

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	117.96	117.26	-0.90	118.04	117.06	3,871	14,468
Jun	-	91.46	-0.90	-	-	-	211

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	112-14	112-12	-0-01	112-20	112-04	84,786	239,349
Jun	111-13	111-09	-0-02	111-17	111-02	291,036	144,589
Sep	*110-15*	*110-13*	*-0-08*	*110-15*	*110-06*	*571*	*34,038*

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	111.84			111.84	111.54	71	0
Jun	110.75			110.76	110.30	2992	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Mar 1	Day's change %	Mon Feb 28	Accrued interest	xd adj. ytd		Low coupon yield Mar 1	Feb 28	Yr. ago	Medium coupon yield Mar 1	Feb 28	Yr. ago	High coupon yield Mar 1	Feb 28	Yr. ago
1 Up to 5 years (23)	127.05	–0.16	127.25	1.62	2.07	5 yrs	6.45	6.33	6.55	6.65	6.54	6.85	6.78	6.65	7.00
2 5-15 years (24)	153.51	–0.99	155.18	1.90	2.75	15 yrs	7.17	7.01	7.73	7.29	7.12	8.22	7.48	7.34	8.45
3 Over 15 years (8)	174.15	–1.46	176.73	0.49	3.53	20 yrs	7.25	7.12	8.02	7.27	7.12	8.39	7.49	7.35	8.53
4 Irredeemables (6)	207.03	–1.02	209.52	2.18	1.47	Irred.†	7.28	7.20	8.50						
5 All stocks (61)	149.34	–0.83	150.85	1.82	2.62										

Index-linked							Inflation 5% Mar 1	Feb 28	Yr. ago	Inflation 10% Mar 1	Feb 28	Yr. ago
6 Up to 5 years (2)	187.59	–0.19	187.95	0.66	1.41	Up to 5 yrs	2.61	2.53	2.02	1.71	1.63	1.17
7 Over 5 years (11)	182.23	–0.35	182.86	0.81	0.79	Over 5 yrs	3.26	3.26	3.47	3.11	3.08	3.29
8 All stocks (13)	181.88	–0.33	182.49	0.79	0.85							

Debentures and Loans						5 year yield Mar 1	Feb 28	Yr. ago	15 year yield Mar 1	Feb 28	Yr. ago	25 year yield Mar 1	Feb 28	Yr. ago
9 Debs & Loans (73)	147.49	–0.80	148.68	1.97	2.37	8.26	8.04	8.60	8.29	8.17	9.33	8.31	8.23	9.54

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 1	Feb 28	Feb 25	Feb 24	Feb 23	Yr ago	High*	Low*
Govt. Secs. (UK)	101.11	101.91	101.25	100.94	102.54	96.94	107.80	93.28
Fixed Interest	123.06	122.97	123.78	124.29	125.28	112.13	133.87	106.67

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Feb 28	Feb 25	Feb 24	Feb 23	Feb 22
Gilt Edged bargains	189.6	162.0	127.7	103.8	118.8
5-day average	140.4	126.1	112.8	109.3	109.2

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on March 1

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅝	97⅞	-¼	6.85
Alberta Province 9⅜ 95	600	106¾	107	-⅛	4.99
Austria 8½ 00	400	110⅞	111¼	-¼	6.24
Bank of Tokyo 8⅜ 96	100	105½	106¼	-⅛	5.50
Belgium 9⅝ 98	250	113¾	114	-¼	5.94
BFCE 7¾ 97	150	106⅛	106⅝	-¼	5.49
British Gas 0 21	*1500*	12	12⅜	-¼	7.98
Canada 9 96	1000	107⅜	107¾		5.01
CCCE 9¼ 95	300	104⅜	104⅝	-⅛	4.67
Cheung Kong Fin 5½ 98	500	94⅝	95⅛	-⅛	6.90
Council Europe 8 98	100	108	108½	-⅛	5.26
Credit Foncier 9½ 99	300	114¼	114⅝	-¼	6.09
Denmark 9¼ 95	1571	104⅝	104⅞	-⅛	4.65
ECSC 8¼ 96	193	106⅞	107½	-⅛	5.47
EEC 8¼ 96	100	106⅜	106⅞	-⅛	5.22
EIB 7¾ 98	250	105¼	105¾	-¼	5.30
EIB 9¼ 97	1000	111½	111¾	-⅜	5.70
Elec de France 9 98	200	110⅞	111½	-⅝	5.89
Eurofima 9¼ 96	100	107½	107⅞	-¼	5.28
Ex-Im Bank Japan 8 02	500	108½	108⅞	-¼	6.62
Export Dev Corp 9½ 98	150	113	113½	-⅜	6.01
Finland 7⅞ 97	200	105½	106¼	-⅜	5.76
Finnish Export 9⅜ 95	200	106⅝	106⅞	-¼	5.08
Ford Motor Credit 6¼ 98	*1500*	100⅝	101⅛	-¼	6.16
Gen Elec Capital 9⅜ 96	300	108⅜	108⅞	-¼	5.34
GMAC 9⅛ 96	200	106½	107	-⅛	5.65
Ind Bk Japan Fin 7⅞ 97	200	105⅝	106⅛		5.84
Inter Amer Dev 7⅝ 98	*200*	105¼	105⅝	-¼	5.33
Italy 6⅞ 23	3500	91¼	91⅝	-¼	7.77
Japan Dev Bk 8⅜ 01	500	110¾	111	-⅛	6.41
Kansai Elec Pwr 10 98	350	109¼	109½	-⅛	5.25
LTCB Fin 8 97	200	105½	106⅛	-⅛	5.86
Matsushita Elec 7¼ 02	1000	103⅜	103⅞	-¼	6.83
Nippon Cred Bk 10⅜ 95	150	106¼	107	-⅛	5.41
Nippon Tel Tel 9⅜ 95	200	104½	104¾	-¼	4.89
Norway 7¼ 97	1000	104¾	105⅛	-¼	5.54
Ontario 7⅜ 03	3000	104	104¼		6.88
Oster Kontrollbank 8½ 01	200	111¼	111½	-¼	6.45
Petro-Canada 7¼ 96	200	103⅞	104½	-⅛	5.33
Portugal 5¾ 03	1000	93¼	93½	-⅛	6.83
Quebec Hydro 9¾ 98	150	113⅝	114	-⅜	6.26
Quebec Prov 9 98	200	109⅞	110½	-⅛	6.19
Sainsbury 9⅛ 96	150	108¼	109	-⅛	5.59
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom 7¼ 97	5500	104⅛	104⅜		5.75
Volkswagen Intl Fin 7 03	1000	100⅞	101⅜	+⅝	6.86
World Bank 0 15	2000	26¼	26½	-⅜	6.33
World Bank 5⅞ 03	*3000*	96½	96½	-⅜	6.36
World Bank 8¾ 00	1250	114	114⅜	+⅛	5.95
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	*100*	111¾	112½		4.95
Austria 4½ 00	1000	102	102	+⅛	4.11
Council Europe 4½ 98	250	102¼	102¾	+¼	4.12
EIB 6¾ 04	300	113½			5.07
Elec de France 7¼ 06	100	114½		+½	5.55
Finland 7¼ 99	300	112¼	112¾		4.70
General Motors 7½ 95	100	102¾	103¼		4.85
Hyundai Motor Fin 8½ 97	100	110	111	+¼	5.30
Iceland 7⅝ 00	100	113½	114½	+¼	5.10
Kobe 6⅜ 01	240	110	110¾	-¼	4.74
Ontario 6¼ 03	400	108	108¼		5.11
Quebec Hydro 5 08	100	100	100½		5.00
SNCF 7 04	450	117	117½	-¼	4.80
World Bank 5 03	150	102	102½		4.73
World Bank 7 01	600	114¼	114¾	+¼	4.56
YEN STRAIGHTS					
Belgium 5 99	75000	103¾	104	-⅜	4.25
EIB 6⅝ 00	100000	111⅞	112⅛	-1⅛	4.35
Elec de France 5⅝ 96	20000	105½	106	-⅝	3.41
Finland 6¾ 96	50000	107⅛	107⅜	-½	3.13
Inter Amer Dev 7¼ 00	*30000*	118⅜	118⅝	-1¼	4.19
Italy 3½ 01	300000	93½	93⅝	-1¼	4.61
Japan Dev Bk 5 99	100000	104⅛	104⅜	-1	4.13
Japan Dev Bk 6½ 01	120000	113	113¼	-1⅛	4.43
Nippon Tel Tel 5⅞ 98	50000	106	106¼	-⅝	3.39
Norway 5⅛ 95	50000	102½	102¾	-¼	2.76
SNCF 6¾ 00	30000	112½	112¾	-1¼	4.34
Sweden 5⅝ 95	20000	104	104½	-⅜	2.96
World Bank 6¼ 00	50000	112¾	113	-1⅛	4.31
OTHER STRAIGHTS					
Arbed 7½ 95 LFr	600	100¾	101¾		6.86
Genfinance Lux 9⅛ 99 LFr	1000	109	110		6.97
World Bank 8 96 LFr	1000	102⅝	103⅞		6.50
Bank Voor Ned Gem 7⅝ 02 Fl	1000	108¾	109¼		6.29
Energie Beheer 6¾ 98 Fl	500	113	113½		5.52
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Alliance Leics 11⅜ 97 £	100	113⅛	113⅝	-⅛	6.65
British Gas 12¼ 95 £	300	105⅜	105¾	-½	5.65
British Land 8⅞ 23 £	150	97⅛	97⅞	-2	9.34
EIB 10 97 £	*637*	109½	109⅞	-¼	6.93
Halifax 10⅜ 97 £	100	110⅛	110⅝	-¼	6.55
Hanson 10⅜ 97 £	500	110½	110⅞	-¼	6.68
HSBC Holdings 11.69 02 £	153	120½	121⅛	-1	8.20
Italy 10½ 14 £	400	122	122⅛	-⅜	8.22
Japan Dev Bk 7 00 £	200	100¾	101⅛	-⅜	6.84
Land Secs 9½ 07 £	200	108⅛	108½	-1⅝	8.45
Ontario 11⅛ 01 £	100	118⅝	119⅛	-⅝	7.58
Powergen 8⅞ 03 £	250	107½	107⅞	-⅝	7.69
Severn Trent 11½ 99 £	150	118⅛	118⅝	-¼	7.28
Tokyo Elec Power 11 01 £	150	119¾	120⅛	-⅜	7.38
World Bank 11¼ 95 £	100	108½	108⅞	-⅛	5.49
Abbey National 0 96 NZ$	100	85¼	86¼	+¼	6.35
TCNZ Fin 9¼ 02 NZ$	75	114½	115½	+⅝	6.89
CEPME 10 95 FFr	2000	104¾	105	-¼	6.11
Elec de France 8¾ 22 FFr	3000	119¾	120¼	-1¼	7.11
SNCF 9¼ 97 FFr	4000	109	109¼	-⅛	5.99

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Banco Roma 0 99	200	99.72	99.84	3.3750
Belgium 1/16 97 DM	500	99.96	100.06	5.8750
BFCE -0.02 96	350	99.87	99.96	3.4175
Britannia 0.10 96 £	150	99.93	100.03	5.5375
Canada -⅛ 99	2000	99.70	99.75	3.3125
CCCE 0 06 Ecu	300	98.84	99.02	6.2500
Credit Lyonnais 1/16 00	300	100.00	100.40	5.0000
Denmark -⅛ 96	1000	99.57	99.67	3.7500
Dresdner Finance 1/16 98 DM	1000	99.93	100.02	5.9688
Ferro del Stat 0.10 97	420	100.06	100.34	3.6000
Finland 0 97	1000	99.95	100.07	3.4141
Halifax BS 1/16 95 £	350	99.97	100.04	5.5000
Ireland 0 98	300	99.73	99.86	3.4400
Italy ¼ 98	*2000*	*100.56*	*100.64*	3.5625
Leeds Permanent ⅛ 96 £	300			5.6250
LKB Baden-Wuert Fin -⅛ 98	1000	99.68	99.78	3.4375
Lloyds Bank Perp S 0.10	600	84.50	85.58	4.1000
Malaysia 1/16 05	650	100.16	100.46	5.2500
Nationwide 0.08 96 £	300			5.2363
New Zealand ⅛ 98	250	100.00	100.12	3.4590
Renfe 0 98	500	99.48	99.67	3.3750
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

[illegible]

CONVERTIBLE BONDS

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: [illegible] CONVERTIBLE BONDS: [illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

♦ 'Tap' stock. ‡‡ Tax free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

T Cowie beats City forecasts

By Paul Taylor

Sharply lower interest costs helped T Cowie, the car leasing, motor trading, bus and tractor group, achieve a 56 per cent increase in pre-tax profits last year to £38m.

The advance, from £24.3m in 1992, was ahead of market expectations and Cowie's shares closed up 7p at 331p.

Turnover grew to £799.8m (£605.9m) including £148m generated by the Keep Trust motor group of 18 dealerships acquired for £28.6m last May.

Earnings per share improved by 55 per cent to 20.8p (13.4p). A final dividend of 5.5p (4.25p) makes 7.85p, up 26 per cent.

Mr Gordon Hodgson, chief executive, said the results highlighted that "the company car market is returning to normality," with fleet renewals continuing to improve.

Operating profits, including a £2.54m contribution from Keep Trust, slipped to £58.8m (£61.7m) mainly reflecting the impact of falling interest rates on the core finance division and lower margins in the acquired motor dealerships.

Offsetting this, the group recorded a net £3.82m exceptional gain mainly reflecting proceeds from share transactions compared with a net exceptional gain of £805,000 in 1992. Pre-tax profits were boosted by a sharp decline in interest costs and similar charges to £24.6m (£36.2m).

On a divisional basis, the finance division, which mainly comprises market-leader Cowie Interleasing, reported lower turnover of £230.3m (£245m), but a 43 per cent rise in pre-tax profits to £23.7m (£16.6m).

The motor division lifted its contribution to £8.53m (£5.48m) on turnover of £518.5m (£316.3m), partly reflecting the Keep Trust acquisition.

Grey-Green, the group's London bus and coach operator, increased turnover to £14.4m (£13.5m) but profits declined to £1.6m (£1.8m) because of increased insurance costs.

Hughes DAF, the national bus and coach distribution business, lifted turnover by 20 per cent to £16.1m and profits by 29 per cent to £2.26m.

Net borrowings of £288m at end-December were down from £308.7m a year earlier and represented gearing of 212 per cent, down from 306 per cent.

● COMMENT

The acquisition of Keep Trust has boosted Cowie into the big league of UK motor retailers. In the short term, however, it has eroded operating margins in the motor division – the new dealerships generated £1,763 of profits per employee in the final 9 months last year, still way behind the £4,891 per head generated in the established Cowie dealerships. Squeezing more profits out of the new dealerships coupled with the growth of contract hire and stronger fleet market should boost pre-tax profits to about £43.5m this year, producing earnings of 23p. Despite the recent increase in the share price they are still only trading on a forward multiple of 14.4 and could go higher.

Ashley Ashwood

Gordon Hodgson: fleet renewals were continuing to improve

Direct selling expansion by GRE

By Richard Lapper

Guardian Royal Exchange, the fifth largest of the UK's composite insurers, has signalled a sharp intensification of competition in the £6bn-a-year motor insurance market with yesterday's launch of Guardian Direct, its own direct telephone-based insurer.

The group, which announced it was dropping Royal Exchange from its title on Monday, will invest heavily in the subsidiary, spending at least £10m on advertising and marketing in its first year of operation.

It will compete in a market headed by Direct Line, the Royal Bank of Scotland subsidiary which insures 1.4m of the UK's 18.5m motorists.

"This is the first time a composite has made a heavyweight decisive move into the market," said Mr Ray Pierce, managing director.

He claimed that the "sheer weight" of investment in advertising and marketing would create brand awareness, allowing the company to grow rapidly.

The company is expected to underwrite both home and motor insurance.

Based in Colchester, Guardian Direct will initially employ 160 people, of whom 80 will be telesales staff. "Volume is important," said Mr Pierce.

GRE has been slow to move into the direct market, partially because of its dependence on business generated by brokers and building societies. It had also been reluctant to alienate the brokers with which it traditionally does motor business.

General Accident, Eagle Star and Royal Insurance have all formed direct writing subsidiaries, but their growth rate has been more modest than that of Direct Line and Churchill, a subsidiary of Winterthur, the Swiss insurer.

Mr Pierce, who joined GRE after spells as chief executive of Robson Rhodes, the accountant, and the Mortgage Corporation, said the company would be the "strategic late entrant" and could equip itself with technology superior to many competitors.

"The systems of some of our competitors are already out of date," he said.

Although Guardian Direct will be operated separately from GRE's existing motor business, it will be able to take advantage of facilities already set up by its parent, such as a network of 500 approved repair centres for damaged cars.

Guardian Direct aims to compete on both service and price. The company will handle claims over the telephone and settle bills direct. Marketing material suggests "policyholders can save up to 30 per cent off conventional motor and household policies".

Coal Invs plans to raise £11.5m for development

By Michael Smith

Coal Investments, formerly known as Geevor, plans to raise £11.5m to develop two pits for which it has agreed terms with British Coal to mine for 15 years.

It will raise £3.5m through the issue of loan stock to shareholders and £8m through new shares at 65p, half of which will be placed and half distributed through a 1-for-8 rights issue.

The shares were suspended at 76p three weeks ago, pending talks with British Coal and the financial arrangements announced yesterday. Dealings are expected to resume on March 28 following an extraordinary meeting.

The two pits, Hem Heath, part of the Trentham mine, and Coventry, will be among the first to be licensed by British Coal.

Coal Investments is also the front runner for the lease to mine Markham Main colliery in South Yorkshire and may bid for two others.

The company started mining coal yesterday at Cwmgwili, south Wales, its only working pit. It plans to produce 120,000 tonnes a year and to make slightly more than £1m in operating profits on turnover of £6m at the mine, ahead of previous budgets.

The arrangements announced yesterday will lead to the issue of 12m shares. In addition shareholders will receive warrants to buy one share at 85p for every four shares they take up in the rights. Shareholders will also be able to subscribe for zero coupon loan stock which will repay £1 for each 60p paid, equivalent to a gross yield of 13 per cent. The stock will also have warrants attached.

● COMMENT

As former commercial director of British Coal, Mr Malcolm Edwards, the chairman, has a strong background in sales techniques, which has stood him in good stead at Coal Investments. His ability to sell the potential coal, not to mention the story, of Coal Investments has been crucial in the shares rising by more than four times in the first five months after its re-incarnation. He sounded convincing again yesterday as he spoke of how his company could rely on sales of at least 2m to 3m tonnes a year by concentrating on industrial and household markets: sales to electricity generators would be additional. We will have to wait to see if this is fulfilled. The company does not expect to be making money until the year after next. Charles Stanley, its broker, believes at least £2.7m is likely for the year ending March 1996, putting the shares on a prospective p/e for that year of 11. These are early days yet and the uncertainty of a declining coal market means that the rights issue is not one for those with limited funds. But the company's cash generative potential and its relatively small capitalisation may prove attractive for institutions which can bear some risk in their portfolios.

Domnick Hunter to raise £16m

By Andrew Bolger

The flotation of Domnick Hunter is expected to raise about £16m in new money for the north-east of England-based engineering group which claims to be a world leader in filtration products.

The flotation, by way of a placing, will give the group a market capitalisation of about £60m. It is expected that impact day will be March 16 and that dealings will start on March 29. Of the net proceeds, about £9.9m will be used to redeem preference shares and £5.4m will be used to reduce group borrowings.

The group has a dominant role in the UK compressed air filter market, and exports more than 60 per cent of sales to 40 countries. Last year it made operating profits of some £4.7m on turnover of £30.6m.

A pathfinder prospectus was published yesterday.

Markheath in reverse takeover

By Roland Adburgham, Wales and West Correspondent

Markheath, the heavily indebted property company, is to acquire Thomas Bailey Investments in a reverse takeover by the privately owned Welsh property developer.

The conditional deal will mean that Markheath, which has had a standstill agreement with its bankers since last March, will change its name to TBI and move its headquarters from London to Cardiff.

It will have a portfolio of commercial and retail properties and development sites in London, Stevenage and south Wales valued at £96.3m, yielding about 10 per cent.

Of Markheath's bank borrowings of £67.7m, about £25m will be written off by banks led by Midland and ANZ, £22m will be refinanced by a new term loan from Barclays and the balance satisfied with the majority of the proceeds from a £24m share placing and open offer.

The share placing and offer – on an 11-for-17 basis of 79m new ordinary shares at 33p – is underwritten by Charterhouse.

The new shares will represent 64.7 per cent of the enlarged capital. Mr Stanley Thomas, a principal shareholder in Thomas Bailey, and Mrs SM Case, his sister, will subscribe for up to 22.7m of the shares.

Mr Michael Rendle, non-executive chairman of Markheath since 1991, will become non-executive chairman of TBI and three Thomas Bailey directors will join the board. Mr Thomas and Mr Paul Bailey will be deputy chairman and executive director and Mr Paul Guy chief executive.

The three new directors will receive a 30.3 per cent stake in the enlarged capital for selling their company to Markheath.

Dealings in Markheath shares have been suspended at 6p pending shareholders' approval of the restructuring at an extraordinary meeting on March 24. Old shares will be consolidated on a 20-for-1 basis.

Markheath incurred a pretax loss of £2.37m in the six months to September 30 last year with net liabilities of £14.8m, including bank borrowings of £67.7m.

It ran into trouble with the downturn in the commercial property market and also made losses totalling £37m on the sale of investments in Frogmore Estates and Camford Engineering.

Its property portfolio has been written down by £75m over the past two years and staff have been reduced from 150 to 10.

Thomas Bailey made a pretax profit of £422,000 in the seven months to November 30 with net assets of £6.7m.

Wainhomes to raise £32m from placing

By Andrew Taylor, Construction Correspondent

Wainhomes, the Chester-based housebuilder, plans to raise £32m from a placing and offer for sale valuing the company at about £100m.

The company is the latest in a series of housebuilders to announce plans to come to the market.

Redrow, one of the UK's largest private housebuilders, is expected to announce proposals to float the company today.

Beazer Homes – the country's fourth largest housebuilder, presently owned by Hanson – last week published its pathfinder prospectus for an issue expected to raise £450m.

Details of the Wainhomes issue, but not the price, were contained in a pathfinder prospectus published yesterday.

Until recently Wainhomes only built homes mainly in north-west England.

The company will use the proceeds to repay borrowings – currently £17m – and to buy land to take advantage of the recovery in the housing market in the UK.

Directors and their families now own 65 per cent of the shares. They will have their stake reduced to just under 50 per cent following the issue.

The company is forecasting pre-tax profits of £7.1m for the year to March 31. This compares with profits of £5.3m in the previous year and a peak of £8.6m in the 12 months to March 31 1990.

Mr Ron Smith, chief executive, said the company had been remarkably resilient during recession. Operating margins had remained above 10 per cent, having reached a peak of 18 per cent in 1990.

The company now has operations in Yorkshire, Hampshire, Dorset and the south-east Midlands. It expects to have sold about 950 homes by the end of March.

This is expected to rise to between 1,200 and 1,500 next year, and then to 1,800.

The cash raised by the issue will help the group increase the number of plots with planning permission it owns from 3,000 to 4,000.

Rolls-Royce Power sells Victor

By Simon Davies

Rolls-Royce Power Engineering is selling Victor Products, its specialist lighting subsidiary, through a £10m management buy-in backed by 3i, the venture capital group.

Mr Keith Jordan, a former divisional managing director at GEC, will take over as chief executive of the engineering company.

Victor Products, which was a listed company until February 1988, is raising £6m through equity finance and £6m through bank debt, to cover the costs of the purchase and build up working capital.

The new management will own 20 per cent of the equity, and the remainder has been underwritten by 3i, which is likely to bring in two other venture capital groups.

Victor Products is based in north-east England and manufactures hazardous area lighting, primarily for the mining and oil and gas industries.

Its reliance on the mining industry has been heavily reduced since the 1980's, although British Coal remains a sizeable customer. It has also developed subsidiaries in South Africa and the US.

Mr Jordan plans to introduce new lighting products and expand the company's export markets, which currently account for only 10 per cent of domestic production.

Victor Products has had a turbulent recent history. It was bought out for £13.8m by Northern Engineering Industries in January 1988 and a year later, its parent company was taken over by Rolls-Royce.

Smith & Nephew

Smith & Nephew, the healthcare group, is acquiring the remaining 50 per cent of the shares in BSN B Braun-Smith & Nephew, its joint venture with B Braun Melsungen of Germany.

The performance-based consideration is capped at £1.9m and the transaction is subject to clearance by the German Cartel Office.

Expansion at Yorkshire Water

By Peggy Hollinger

Yorkshire Water's strategy to increase its presence in the clinical waste sector gathered momentum yesterday with the purchase of Dyvell (Holdings) for £5.2m.

Mr Jonson Cox, managing director of Yorkshire Environmental, said the addition of Dyvell would propel the clinical waste division into the "number one slot" with a market share of between 20 and 25 per cent.

Dyvell is, in effect, a start-up business with just one incinerator and several contracts to build further facilities to process clinical waste for health authorities and hospital trusts.

The threat of increased environmental regulation from the EC and loss of crown immunity in the UK mean that trusts and authorities are seeking improved methods of disposal.

Some £30m is budgeted for investment in new incinerators for the enlarged division. This will mean that the clinical waste operation is unlikely to produce a profit for about two years.

The group further strengthened its business with the £6.1m purchase of a profitable environmental laboratory group in the Netherlands. Yorkshire will integrate this with ALcontrol, its existing laboratory business.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abbey National	fin	9.85	May 16	7.7	14	11.5
Admiral	fin	4.3	May 6	3.7	6.3	5.4
ASW	fin	3	May 17	3	6	6
Cowie (T)	fin	5.5†	Apr 14	4.25	7.85	6.25
Flem Mercantile	fin	1.675	May 3	1.675	6.7	6.7
Gen Accident	fin	17.8	July 1	17.05	27.5	26.75
Inveresk	fin	3.5	Apr 11	-	3.5	-
Kalon	fin	2.9	May 2	2.2	4.2	3.2
Murray Income	fin	4.3	-	4.15	11.3	10.9
Raine	int	1	Apr 22	2	-	3
Scottish Eastern	fin	1.06	May 10	1.02	1.58	1.52
Sinclair (Wm)	int	1.7	Apr 5	1.7	-	7

Dividends shown pence per share net except where otherwise stated. †On increased capital.

Margins improved by focusing on higher value-added products

Inveresk turns in 60% rise to £9.26m

By James Buxton, Scottish Correspondent

Inveresk, the Scottish speciality paper manufacturer which floated on the Stock Exchange last June, made pre-tax profits of £9.26m in the 53 weeks to December 4 1993.

The result was a 60 per cent improvement on the £5.79m recorded in 1992. In both years the company incurred a loss of about £900,000 on discontinued activities.

Turnover on continuing activities increased by 3 per cent to £90.5m (£87.9m). The company attributed part of its improved profits to the ending last year of unprofitable commodity papermaking at its mill at Inverkeithing, Fife.

By focusing on higher value-added products and turning round its fine paper business, operating margins have been increased to more than 10 per cent, according to Mr Stefan Kay, managing director.

Mr Kay said that the recovery in the UK paper market was "nervous, patchy and uneasy."

Confidence in the German market has taken a serious knock during the year because of recession, though sales of Inveresk's products held up well.

Trading elsewhere in Europe was satisfactory, Mr Kay added, while sales to east Asia and the Americas continued to be encouraging and with considerable scope for the future.

Inveresk invested £7.2m in plant improvements, paid for out of cash flow, and plans to invest a further £6.5m in 1994.

Earnings per share were 16.9p (11.5p) and a final dividend of 3.5p is recommended. There was no interim dividend and Inveresk said on flotation that the final dividend would be two thirds of a normal dividend.

● **COMMENT**

Inveresk is a solid company with experienced management in a moderately profitable niche of the paper market, factors which helped push its shares up from last June's issue price of 150p to 223p, before adding another 7p to 230p yesterday. Its stated aim is to become "Europe's leading speciality paper company", and it hopes to find a suitable target for acquisition in Europe or the UK. With £41m on its balance sheet and an unused borrowing facility of £20m, it should be well equipped to do so. Inveresk may be able to profit from higher market prices and exploit its 20 per cent unused capacity, but could also suffer if wood pulp costs, now beginning to increase, go up further. Last year it enjoyed a tax charge of only 9 per cent because of allowances from past losses; this year, however, the tax charge will be 28 per cent, and analysts believe pre-tax profits up to only £10m will be possible. That would mean reduced earnings per share of 13.7p, giving a multiple of 16.7 on yesterday's closing price of 230p. On that basis the shares look fairly priced.

Acquisitions help Kalon increase to £18.8m

By Peter Pearse

Bucking the general trend in the UK paints market, Kalon, the paints group, again achieved sharp profits growth and increased market share in 1993 on turnover boosted largely by acquisitions.

Under FRS 3, pre-tax profits jumped 77 per cent to £18.8m (£10.6m), though stripping out 1992's £2.62m exceptional charges – £1.56m for the abortive bid for Manders, then a rival paints maker, and £1.06m on the disposal of the chemicals division – reduces the advance to 42 per cent from £13.2m. Of the £18.8m profits, £4.82m came from acquisitions, mainly Novodec, the French private-label paints maker bought for £22m in February 1993.

Turnover grew by 34 per cent to £142.4m (£106.3m) including £34.1m from acquisitions. There was a turnround in interest – from £660,000 receivable to £150,000 payable. Mr Mike Hennessy, managing director, said this was because of the debt acquired with Novodec, higher financing charges and lower UK rates. Cash balances stood at £10.2m at the year-end, against £12.3m.

In the decorative division, where sales were flat at £96.1m and profits up 6 per cent at £13.5m, retail paint sales slipped 1 per cent in both volume and value terms, while the total market fell by 7 per cent. Trade paint sales rose 15 per cent in volume and 11 in value as the market fell by 4 per cent in value. Total market prices fell by 4 per cent as the DIY sheds engaged in aggressive promotional activity.

Kalon said there was evidence this had abated and that prices were now more stable, though raw material prices were edging up.

The opening of 12 more Leyland trade centres is planned for 1994, to make 87 in all. The aim is for a chain of 110.

In the specialist products division, now called Vallance since February's acquisition of that company for £6.2m, sales were £6.5m and profits £500,000.

Mr Hennessy said that total sundry sales were £25m-£26m with £19m paint-related. The Vallance-enhanced division is expected to have sales of about £18m-£20m next year, with total sundries sales of up to £40m.

With the French market – where Mr Hennessy said prices were crazy – up 10.5 per cent in volume, Novodec rose by 19.5 per cent. The Leyland brand was launched into France last week coinciding with the opening of the first trade centre in Lille.

Earnings under FRS 3 advanced 91 per cent to 9.88p (5.17p), or, otherwise, by 37 per cent from 7.2p. A final dividend of 2.9p makes at 4.2p total, up 31 per cent.

● **COMMENT**

The inexorable rise of Kalon continues. And there is nothing in the tea-leaves to suggest that this progress will falter. This is good news for Mr Hennessy's now infamous and whopping triennial bonus scheme, now due. In private paints – a mature business, which Kalon had a big hand in developing – it has done well in difficult market conditions; witness ICI's dour comments last week. Trade paints – a developing business, especially in France – did even better. Expect both organic and acquisition-led growth in Europe to build on the French progress. In sundries – a newish market worth up to £500m – Kalon has a lot to play for, while other territories in Europe offer the group opportunities to replicate what it has achieved in the UK and increasingly in France. Forecast pre-tax profits for 1994 are between £21.5m and £22.5m, giving a p/e of between 16.3 and 15.5, which is cheap.

TR Euro Growth launches issue

By Bethan Hutton

TR European Growth Trust, a specialist smaller companies investment trust, is planning to raise new capital through a conversion share issue.

The trust currently has assets of about £73m. The C share issue is understood to be likely to increase that by at least one third, but if demand is there, the trust's size could double.

TR European Growth invests mainly in quoted companies capitalised at less than £300m, though it also has a small portfolio of unquoted companies, particularly ones which are likely to seek a listing in the future.

The company said there were clear signs of recovery in smaller company share prices, a feeling which appeared to be shared by other fund managers.

The non-UK smaller companies investment trust area is highly active at the moment, with the launch of the Piper European Smaller Companies Trust and the Govett Global Smaller Companies Trust, and another C share issue under way from Fleming European Fledgeling.

"We feel very strongly that the European story is something that is going to go through over the next couple of years, and smaller companies are going to outperform the bigger ones," said Mr James de Sausmarez, managing director of Henderson Touche Remnant Investment Trust Management.

TR European Growth's net asset value grew by 31 per cent to 154.3p (99.2p) per ordinary share over the half year to December 31.

Earnings per share were up 66 per cent to 1.01p (0.61p). The trust pays a single dividend at the year end.

Leeds & Holbeck declines 13%

Leeds and Holbeck Building Society saw pre-tax profits decline 13 per cent – from £8.84m to £7.72m – over the 12 months to December 31.

The outcome, which masked a sharp improvement in the society's second half, was struck after a marginally reduced loan loss provision of £19.4m (£19.8m).

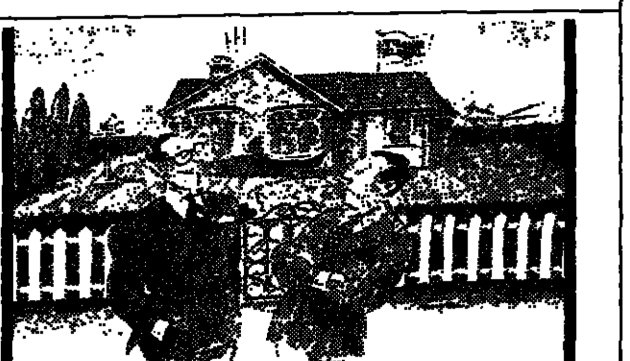
Total assets improved to £2.45bn (£2.43bn). The cost:income ratio rose from 39.9 per cent to 41.5 per cent.

Scottish Eastern boosts net asset value 33% to 105.4p

The net asset value per share of Scottish Eastern Investment Trust rose by 33 per cent over the year to January 31, from 79.2p to 105.4p.

After a £1m fall in the tax charge to £3m, net revenue for the 12 months advanced to £10.5m compared with £10.2m, producing earnings per share up from 1.59p to 1.65p per share.

The proposed final dividend is lifted to 1.06p (1.02p) for an increased total of 1.58p (1.52p).



COMPANY NEWS: UK

UK housebuilding lifts Raine 24% to £3.4m

By Andrew Taylor, Construction Correspondent

Pre-tax profits of Raine, the housebuilder and contractor, increased by 24 per cent from £2.76m to £3.44m over the six months to December 31.

The company was helped by a strong performance from UK private sector housebuilding, which increased operating profits by 80 per cent. The interest charge was also sharply reduced, from £2.05m to £891,000.

The figures, however, were dented by a £1.4m turnround in the Californian housing operation, which moved from a £819,000 profit to a £605,000 loss. As a result, Raine's operating profits were only marginally higher at £4.61m (£4.55m).

Earnings per share rose from 0.88p to 1.06p but, as expected, the group halved its interim dividend to 1p.

Turnover was virtually unchanged at £207m (£205.1m).

Mr Peter Parkin, chairman, said the company had lost sales following the Los Angeles earthquake, which had not damaged any of its housing developments, but business was picking up again.

Private sector house sales in the UK rose by 23 per cent to 803. The group had increased margins by reducing sales incentives and the cost of part exchange deals had halved.

Social housing profits fell in spite of a 21 per cent increase in sales, from 482 to 584 homes.

Volumes should increase further in the second half with Raine benefiting from its recent contract with a consortium of Kent housing associations to build more than 1,500 homes over three years.

Contracting and commercial property profits, affected by low margins and lower interest on cash payments, dipped at the pre-tax level from £817,000 to £715,000.

The shares fell 4p to 99p.

● COMMENT

Raine's Californian problems, its exposure to recession-hit UK contracting and uncertainty over the dividend has distracted attention from a creditable performance by the UK housebuilding operations. Currently, operating margins on private house sales are about 12 per cent and still about 6 per cent for social housing. Increased sales should mean that social housing profits for the year will be at least maintained. Pre-tax profits of £14m in 1993-94 would put the group on a prospective p/e of more than 20 – falling to 14 times earnings on £20m in 1994-95. Over the past 12 months the shares have underperformed the sector by 50 per cent. For a pure UK housebuilder Raine might look cheap. The question is how quickly the Californian housebuilding and UK contracting businesses may recover.

Dawson to make £50m provision for US shake-up

By David Blackwell

Dawson International, the Edinburgh-based textile group, is closing its fleece and jersey business in the US and taking a £50m exceptional provision for the year to March 26 1994.

The rationalisation was announced yesterday following an independent review of Dawson's US businesses, which had sales of £214m in 1992-93, about half the group total.

Last month the shares fell to 134p after the group warned that difficult US trading conditions would lead to "a very substantial exceptional provision this year."

Yesterday they closed down 5p at 153p.

Dawson is also considering the sale of Dawson Home Fashions, which makes shower curtains and bath mats.

Although it had 60 per cent of the US market last year, DHF has been hit badly by import penetration. Operating profits in the six months to September 25 amounted to just £300,000 on turnover of £30.4m.

The fleece and jersey business lost £8.9m on sales of £29.1m in the same period. Known as JE Morgan Apparel, it operates 12 plants and has 2,000 employees.

Sir Ronald Miller, executive chairman, said the three plants making fleece, which is used in jogging suits, would be closed.

Three of the remaining plants are dedicated to making jersey, which is used for T-shirts and underwear.

These would be reorganised, along with the jersey-making operations of the mixed plants, with a view to a possible sale.

Dawson went into the jersey and fleece business in 1989, and was a supplier to Kmart, the US retailing group. Sir Ronald said the business had been hit by excess capacity in the US, imports, lower sales in the recession and the battle between US retailers. He pointed out that Kmart lost $1bn (£600m) in the fourth quarter.

Goodwill of £42m from the purchase of JE Morgan will need to be written off through the profit and loss account.

A further £14m will need to be written off if the shower curtain business is sold.

The group's net debt at March 26 is expected to be about £70m.

It also has £27.9m of convertible preference shares.

Dawson has two further businesses in the US, Morgan and Duofold, which make thermal underwear and other clothing. The group expects this year's results to be better than last year's.

Sir Ronald said the rationalisation would enable the company to concentrate on its profitable US operations.

Silentnight shares lose 18p on warning

By Andrew Bolger

Shares in Silentnight Holdings fell 18p to 355p yesterday after Europe's biggest manufacturer of beds warned that its profits for the year to January 31 would be "slightly below average market expectations".

Analysts had been forecasting pre-tax profits of about £13.5m. However, the Lancashire-based group said that its annual results on May 3 would be only marginally ahead of last year's figure of £12m.

Silentnight said it intended to hold the final dividend of 5.25p, to give an unchanged total of 8p.

The group said that in the UK it had maintained volume in its beds division and increased volume in cabinets, but margins had been under pressure.

The previously lossmaking US business was continuing to recover, and the German subsidiary, Matthias Houben – bought in 1992 for £3.2m – was showing a very satisfactory return on investment.

The group said it had been conscious of the need to inform the market at the same time that trading had been disappointing. One factor in the decision had been the Stock Exchange's recent guidance on the disclosure of price-sensitive information.

Three buys for IMC as profits fall

IMC Industries, the USM-quoted soft drinks, video tapes and in-flight entertainments company, reported pre-tax profits down from £202,000 to £165,000 in the six months to October 31.

The company also announced the purchase of Eurotrade (UK), Creation Entertainments and 50 per cent of Wideworld Trading for £143,000 cash and 25 per cent of the enlarged share capital of IMC Video. All are involved in marketing videos.

IMC has the option to acquire the 25 per cent at a profit-related price not exceeding £450,000. Eurotrade and Creation have net assets of about £22.5m. Wideworld has only recently begun trading. All three companies are controlled by Mr Brian Phipps, a director of IMC.

The company, of which the ultimate holding company is Cursitor (Fifty Two), said demand for its two main products, soft drinks and video tapes, had remained weak. Further rationalisation had taken place at Alpine Soft Drinks and new titles introduced by IMC Video.

Turnover was £2.73m (£2.97m). Earnings per share came out at 0.07p (0.09p).

Sanderson/ICL venture

Sanderson Electronics, the software supplier, has entered into a joint venture with ICL, the information technology company, through the acquisition of 80.1 per cent of ICL Commercial Systems for £400,500.

The consideration will be satisfied by the issue of 121,364 shares.

In addition, Sanderson has issued 278,636 shares to ICL for cash at 330p each to raise £919,500, which will be used to repay £569,500 of inter-company debt to ICL and provide working capital for Commercial Systems.

A further consideration, of up to £1.95m, is profit related and may be paid in shares.

Sanderson and ICL have agreed not to dispose of any Commercial Systems shares without the other's consent until September 30 1996.

TI expands in Asia with Singapore deal

By Andrew Baxter

TI Group, the specialist engineering concern, said yesterday it had reached agreement with the Sembawang Group, a leading Singapore-based industrial conglomerate, to develop business opportunities in the Asia Pacific region.

The agreement is an important step for TI, which is keen to expand in Asia.

The group and its associated companies already have sales of £100m in nine countries, including India and New Zealand.

The two companies were introduced by Singapore's Economic Development Board and signed a memorandum of understanding last month. Initially they will focus on developing business opportunities in Singapore and China.

TI is also talking to Sembawang to explore opportunities for the Dowty aerospace business in south-east Asia.

The deal is the first such arrangement made by TI in Asia, although it does have a growing presence in the region. Its John Crane offshoot has had a Japanese joint venture for 25 years, and in 1991 bought a majority stake in Dover Japan, now called Japan Marine Technologies, to help it exploit the Asian market for marine seals.

As part of its regionalisation, the EDB has been encouraging local and international companies to combine resources to tackle the expanding regional market.

NEWS DIGEST

Newmarket realises more assets

Net asset value at Newmarket Venture Capital was unchanged at 62p over the 12 months to December 31.

The split between investments and net current assets, however, was greatly different as the company continued its programme of asset realisation begun in 1990.

At the end of the period investments made up 83 per cent (86 per cent) of net assets with quoted shares and unquoted investments falling from £16.9m to £11.6m.

There was a pre and post-tax loss for 1993 of £157,000 (£1.32m) giving losses per share of 0.43p (3.65p).

Details of the company's voluntary liquidation and distribution of assets are expected to be sent to shareholders in May this year.

Refinancing of Wm Hill achieved

Brent Walker has achieved a refinancing of the £325m loan due to lenders to its William Hill betting shop chain. It has also secured the agreement of its term loan lenders for changes in conditions necessary because of the group's deteriorating balance sheet.

Last week holders of its variable rate convertible notes accepted changes in their terms, principally extending the period when interest will be paid in preference shares rather than cash.

Bula Resources Russian moves

Bula Resources, the Ireland-based oil and gas exploration company, is expected to announce an acquisition in the next two weeks which could result in a share issue and the nomination of board members from the former Soviet Union.

The company has sought to quell speculation that it was withdrawing from negotiations in Russia by announcing that it was in advanced discussions with a number of parties.

Bula raised I£2.3m (£2.2m) through a placing earlier this year.

Thames Water $500m deal

Thames Water has clinched a $500m (£342m) deal to develop water and waste infrastructure in Mexico City as part of a consortium with two Mexican companies.

Thames is expected to invest a total of about $50m in the joint venture, which has won a 15 year concession for the municipality of Naucalpan. The first phase will require investment of about $15m.

The UK water company will have a 45 per cent stake, along with Tribasa, a Mexican civil engineering group, while Epycsa, a specialist water contractor, will own 10 per cent.

Ocean sells liquid storage arm

Ocean Group, the industrial and distribution services company, has completed the sale of its bulk liquid storage operation, Panocean Storage & Transport, for £7m.

Tate & Lyle, through its United Molasses division, has bought Panocean Hull and Panocean's Birkenhead terminal for £3.7m.

GATX Terminals has bought Panocean's Eastham terminal on Merseyside.

The UK disposals follow the sale of Panocean's non-UK activities in March last year.

MONTHLY AVERAGES OF STOCK INDICES

	February	January	December	November
FT-SE Actuaries Indices				
100 Index	3398.4	3431.3	3313.7	3111.6
Mid 250	4043.2	3982.7	3662.1	3456.2
350 Share	1719.5	1727.1	1649.5	1550.7
Non-Financials	1818.98	1818.87	1733.10	1643.34
Financial Group	2608.29	2619.71	1300.30	1192.41
All-Share	1709.09	1710.30	1628.88	1535.11
Eurotrack 100	1495.18	1484.54	1423.55	1349.68
Eurotrack 200	1553.11	1559.83	1496.00	1414.20
FT Indices				
Government Securities	103.92	106.50	106.56	103.12
Fixed Interest	128.14	132.32	130.14	123.87
Ordinary	2614.4	2620.1	2492.5	2357.9
Gold Mines	2054.76	2270.36	2133.78	2021.86
SEAQ Bargains	37,205	40,838	33,915	29,057

	Highest Feb close	Lowest Feb close
FT-SE 100	3520.3 (2nd)	3267.5 (24th)
FT-SE Mid 250	4152.8 (3rd)	3919.9 (25th)
FT-SE A 350	1778.3 (2nd)	1657.6 (24th)
FT-SE-A All-Share	1784.11 (2nd)	1650.46 (24th)
Ordinary	2713.6 (2nd)	2528.1 (24th)

COMPANY NEWS: UK

ASW recovery under way with modest £0.1m

By Andrew Baxter

ASW Holdings, the steel and construction products group, announced pre-tax profits of just £100,000 for 1993, but said it would return to satisfactory profits when margins better reflected the industry's costs.

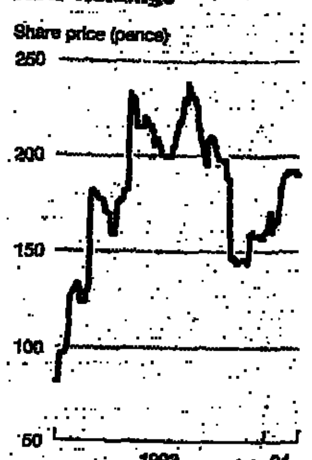
The outcome compared with a £10.8m loss in 1992, but is lower than the £1m to £2m forecast by analysts in November, when the company issued a profits warning because of rising scrap prices – its main raw material – and reduced selling prices on the Continent.

Turnover rose from £367.8m to £428.5m, and operating profit on continuing operations bounced from £100,000 to £8.1m. But operating losses and provisions on discontinued operations – reinforcement engineering in steel and fabrication on the construction side – were £4.1m (£7.8m) and net interest payable rose by £1m to £3.9m.

Losses per share were 0.7p, down from 16.2p. The final dividend is maintained at 3p, making an unchanged total of 6p.

Operating profit in steel activities jumped to £9.4m from a loss of £600,000 in 1992. This reflected £10.4m of margin improvements – mainly in the second quarter but not maintained subsequently – and £2.1m from volume increases,

ASW Holdings



Source: FT Graphite

offset by £2.5m of electricity price increases.

Mr Alan Cox, chief executive, said the company had survived three years of "awful" prices in the steel industry. But Allied Steel & Wire had made further improvements in productivity last year, with sales per employee rising from £135,600 to £155,500.

He predicted further improvements in productivity and said there had been some improvement in margins since the year-end. The issue of subsidies for lossmaking competitors in Europe was coming under attack, he said, but added: "We object to people being subsidised to sell steel at below the cash costs of the lowest-cost producer".

The operating loss in construction systems deepened from £3.5m to £4.2m, but Mr Edward Townsend, the new finance director, said continuing operations were making significant progress – especially the new stressing, tie and anchor systems – and a return to profitability is expected this year.

● COMMENT

At 190p, ASW's share price has recovered from the jolt caused by November's profit warning, and the market is clearly betting that profits will rise quickly when margins improve. There are some signs of margin improvement in Europe, but demand for scrap is increasing as continuous production shifts to electric arc furnaces, underpinning the price. Fortunately the company remains on a roll when it comes to cost reduction, which in the short-term might provide greater benefits than margin improvement. Based on pre-tax profits of £4.8m to £5m this year, the prospective p/e is a heady 50. That may look over-optimistic, but the yield is not out of line with the sector and looks secure.

Admiral ahead 16% to £4.6m

By Alan Cane

Profits before tax at Admiral rose 16 per cent to £4.61m in 1993 as the computing services company reaped the benefit of its move into defence software and client-server technology.

Turnover was up 19 per cent at £36.6m (£30.9m) and operating profit jumped 23 per cent at £4.35m (£3.53m).

Cash in hand at the year-end was £5.3m (£4.4m), but falling interest rates resulted in a 43 per cent decline in net interest receivable, from £452,000 to £260,000.

Admiral has maintained growth in sales, pre-tax profits and earnings per share since it went public in 1987. It recruited new staff throughout the recession. Last year staff numbers rose 20 per cent to 662 and now stand at 790. Mr Clay Brendish, chairman, said yesterday that Admiral was a dominant force in the client-server marketplace which he believed would grow strongly in the future.

Client-server systems replace centralised mainframe computing with combinations of network servers and intelligent workstations.

The company is now active in the defence, finance, government and industrial sectors with a growing presence – accounting for 9 per cent of sales – in commerce. It provides computing services, software products and training and has overseas operations in Australia and Singapore.

Earnings per share were 27.6p (24.2p) and a final dividend of 4.3p makes a total for the year of 6.3p (5.4p). Dividend cover is 4.3 times.

Mr Brendish said there was good evidence of recovery in the economy and he expected a further good year. Analysts are looking for growth of about 24 per cent for the current year giving profits before tax of about £5.7m.

Net assets up at Fidelity Euro

Total net assets at Fidelity European Values stood at £69.6m at end-December, a 62 per cent rise from the £43m reported at the previous year end; net asset value rose from 103.54p to 167.49p per share.

Dividend income was ahead at £1.68m (£1.36m), but a cut in deposit interest earnings from £569,000 to £115,000 meant revenue after tax was reduced from £203,000 to £133,000, reducing earnings per share to 0.32p (0.49p).

No final dividend is recommended, leaving a total maintained at 0.3p.

Murray Income assets growth

Net asset value per ordinary and B ordinary shares of Murray Income Trust stood at 367.8p at the six months ended December 31, up from 316.9p six months earlier and 293.5p a year ago.

Net revenue rose to £4.47m, against £4.17m for the comparable period.

Earnings emerged at 5.47p (5p) per ordinary share and 5.42p (4.95p) assuming conversion of the B ordinary shares.

As forecast, the directors are recommending an increase in the final dividend from 4.15p to 4.3p, raising the total for 1994 to 11.3p (10.9p).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on 02.03.94: Pool purchase price £/MWh	Final Prices for trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.10	17.38	17.38
0100	18.22	20.80	22.24
0130	18.24	22.50	24.24
0200	16.24	22.50	24.24
0230	18.21	20.50	22.24
0300	16.22	20.50	22.24
0330	16.22	20.50	22.24
0400	16.18	17.44	17.44
0430	18.04	17.42	17.42
0500	10.62	17.24	17.24
0530	13.50	17.25	17.25
0600	15.50	17.24	17.24
0630	15.52	17.43	17.43
0700	15.74	17.36	17.36
0730	16.06	20.13	21.87
0800	16.50	20.13	21.87
0830	18.01	20.78	22.49
0900	16.51	20.75	22.49
0930	16.51	20.75	22.49
1000	16.52	20.75	22.49
1030	16.52	20.75	22.49
1100	16.52	20.75	22.49
1130	16.52	22.75	24.49
1200	16.52	22.75	24.49
1230	16.52	22.75	24.49
1300	16.51	22.75	24.49
1330	16.51	20.75	22.49
1400	16.51	20.75	22.49
1430	16.51	20.34	22.05
1500	16.50	20.75	22.46
1530	16.50	20.75	22.49
1600	17.38	20.75	22.50
1630	16.51	21.21	22.98
1700	18.45	25.24	27.34
1730	18.50	38.03	41.34
1800	18.85	38.23	41.46
1830	25.33	37.98	40.00
1900	18.86	28.08	27.88
1930	25.16	23.14	24.89
2000	18.44	22.64	24.38
2030	17.38	21.72	23.48
2100	16.50	21.14	22.88
2130	16.08	19.99	21.73
2200	16.00	19.99	21.73
2230	15.69	17.42	17.42
2300	15.55	17.30	17.30
2330	10.62	17.24	17.24
2400	10.62	17.24	17.24

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-458728 between 8.30am and 5.15pm Monday to Friday.
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Crossroads Oil returns to black with £156,000

Crossroads Oil Group, the USM-quoted oil and gas exploration company, swung back into the black with pre-tax profits of £156,000 for the six months to end-December.

That compared with a deficit of £298,000 last time and came from turnover – boosted by a £536,000 contribution from the Crossroads-Melrose joint venture – up from £234,000 to £645,000.

There was a nil tax charge for both periods and earnings per share came out at 0.286p (0.694p losses).

The company also announced that shareholders at yesterday's EGM had voted unanimously in favour of a capital reconstruction to offset the deficit on the profit and loss account.

Subject to completion of the reconstruction and sustained profitability, the board intends to declare a dividend in 1994.

Wm Sinclair at £1.3m in unseasonal half

By David Blackwell

Both turnover and pre-tax profits eased in the first half at William Sinclair Holdings, the supplier of products to the garden, leisure and pet markets.

The Lincoln-based group reported profits of £1.35m on turnover of £16.5m for the six months to end-December, compared with £1.39m on £16.6m previously.

Net interest receivable fell from £192,000 to £92,000, mainly reflecting lower interest rates.

The horticultural division was again affected by the continuing trend of customers to defer taking delivery of stock.

The pet, aquatic and household division was also starting to find that an increasing amount of sales took place in the second half.

However, horticultural deliveries were now beginning to pick up in readiness for the gardening season.

Mr Tom Sinclair, chairman, said yesterday that the results were encouraging, and had left the group in a good position to benefit in the second half. "The better the weather is, the better we will perform in the next six months."

In January the group acquired Zeneca's compost business for £2.76m. Turnover for the business for the 1993 year is estimated at £3.7m with profits before tax and interest of £436,000.

Mr Sinclair said the acquisition had doubled the group's peat resources and increased its share of the professional grower market.

Earnings per share dipped 4.4p to 4.2p. The interim dividend is maintained at 1.7p.

NEWS IN BRIEF

ASHTEAD GROUP has bought CSE Plant for £570,000 cash and a property in Maidstone, Kent, for £350,000 cash from Wiltshier. CSE reported a 1993 pre-tax profit of £120,000 on turnover of £1.6m and at completion book value of its assets was £720,000.

CABLE & WIRELESS has sold Northern Ocean Services, its offshore marine subsidiary, to McDermott in a move to increase the focus on core activities.

EFM INCOME Trust: Net revenue for nine months to January 31 rose to £523,000 (£470,000) for earnings of 3.5p (3.1p). Third interim dividend of 1p makes 3p (3.6p) so far.

ELECTROCOMPONENTS has purchased Radio Spares Components for NZ$4.2m (£1.6m) cash. The Auckland-based company has been exclusive New Zealand distributor for Electrocomponents' RS Components offshoot since 1987. It achieved operating profit of NZ$840,000 in the year to end-August 1993, on turnover of NZ$3.9m. Net assets amounted to NZ$860,000, including cash of NZ$731,000.

REGENT CORPORATION, the Surrey-based property developer, is buying Grantmena, the Sussex-based housebuilder, for 1.46m shares.

RJB MINING said that of the 4.11m new ordinary shares available in its open offer, 2.09m were placed firm at 340p, and at the closing date for applications 4.09m shares (99.4 per cent of the offer) had either been placed firm or taken up by shareholders. Dealings are expected to commence on March 3.

SARACEN VALUE Trust has received applications for 37m ordinary shares with warrants attached in its placing and offer for subscription. All applications will be met in full and dealings are expected to commence on March 7.

SCOTTISH INVESTMENT Trust: Net asset value up 9.2 per cent to 305.8p per stock unit in the first quarter to January 31. Total assets expanded £85.6m to £912.2m.

SHIRES has announced terms of its offer for Barrhead, another Scottish bathroom group. The offer comprises an initial cash element of 50p a share and a production-related payment up to a maximum of 55p a share, valuing Barrhead's share capital at up to £912,000.

SUTER has enlarged its haircare supplies business through the purchase of D&G Haselock for £2.8m, funded from cash deposits and bank borrowing. Combined business will have annual sales of £15m.

WORTHINGTON GROUP rights issue of 6.32m shares has been accepted in respect of 93.3 per cent.

COMMODITIES AND AGRICULTURE

EU reforms lift farmers' incomes

By Alison Maitland

Reform of the common agricultural policy boosted farm incomes last year, the European Commission said yesterday.

The commission published initial estimates based on accounts from 58,000 farms across the European Union which showed an overall decline in income of 1.2 per cent last year. But sectors subjected to the 1992 MacSharry reforms moved strongly against the trend.

According to the Eurostat figures, incomes in the beef and cattle sector rose by as much as 25 per cent last year compared with 1992, while specialised cereal farmers enjoyed an 11 per cent increase and dairy farmers saw a 7 per cent rise.

Mr René Steichen, EU farm commissioner, said the commission's analysis of the figures "clearly indicates that the production sectors subject to reform experienced a significant income increase in 1993".

This runs counter to popular belief among farmers that the reforms, which cut price supports to reduce production and introduced direct income payments or livestock payments in compensation, would be financially painful.

Mr Steichen accepted that the reforms were not the only reason why incomes had risen but added: "The figures nonetheless confirm the positive benefits for farmers of improving market balance, as well as the income stabilisation effect of direct payments".

The agricultural sectors that suffered most last year receive only light support from the CAP or have not yet been reformed. Pig and poultry farmers took a 37 per cent knock to their incomes while horticulturalists were down 8 per cent and wine-makers suffered a 14 per cent decline.

Incomes varied enormously between member states, according the Eurostat figures, with a rise of over 15 per cent in the UK contrasting with a fall of nearly 15 per cent in Germany and 11.7 per cent in the Netherlands. The UK benefited from currency devaluation, which pushed up the value of Ecu-based payments, and is heavily dependent on sectors that underwent reform. Germany and the Netherlands produce a lot of pigmeat, wine and vegetables between them, the sectors that suffered last year.

The commission qualified the overall income drop of 1.2 per cent, pointing out that farmers received only 86 per cent of the direct payments due to them during 1993.

Electricity costs may hit Elkem smelters

By Karen Fossli in Oslo

Elkem, the Norwegian light metals producer, said yesterday that temporary lay-offs were possible at some of its smelters because domestic spot market prices for electricity had more than doubled to NKr0.48 a kW/hour in the past two days.

An official said the company had been considering increasing output at ferro-chrome and ferro-silicon smelters. But it was now reviewing the plan and might have to reduce capacity even for aluminium.

Elkem consumes about 8.5bn MW/hours of electricity annually for light-metals production but on an annual basis it buys just 10 per cent of its electricity needs in the spot market. The remainder is supplied under long-term, fixed-rate contracts and from its own generating plants.

Norway's electricity market has been undergoing reform during the past couple of years and is considered one of Europe's most liberal. Because of this the government has refused to intervene to stem rising prices.

Energy analysts say prices have risen because of the unusually cold weather and speculation that electricity suppliers have not secured large enough trading agreements with neighbouring Sweden and Denmark to cover a shortfall in domestic production.

The government said that it would allow the ceilings for imports of electricity to be lifted so that suppliers could cover any shortfall in domestic production. It has also consulted Swedish and Danish authorities on the issue.

Average prices for electricity so far this year have been NKr0.18 a KWh, according to government figures, but have shot up in the past two days to around NKr0.48 during the day and NKr0.35.5 in the evening.

UK set to take lead in North Sea oil stakes

By Karen Fossli and Robert Corzine

Britain could overtake Norway this year as western Europe's biggest producer of oil and natural gas liquids and might be able to maintain a forecast peak output of 2.5m barrels a day until 1998, according to Wood Mackenzie, the Edinburgh-based energy consultancy.

Norway's contribution to North Sea output would fall to 49 per cent from 53 per cent in 1993 while UK production was expected to rise by 30 per cent this year.

The decline in Norway's share would occur despite an expected 9 per cent increase in output to a record 2.59m barrels a day, WoodMac said.

It estimated that 327 field production days would be lost in Norway this year, up from 160 in 1993, because of scheduled maintenance. That included the shutdown of the Ekofisk centre, the hub for oil and gas fields that feed into the Norpipe transportation system.

"Scheduled maintenance is expected to result in the deferment of over 23m barrels of production in 1994 compared with 16m barrels in 1993," the consultancy said. Unscheduled stoppages in 1993 accounted for 14 per cent of total lost production days, it added, resulting in the deferment of more than 2m barrels of oil and natural gas liquids.

Four new Norwegian fields were expected to be brought on stream this year, contributing some 80,000 b/d a day. But the new supply would be staggered throughout the year and therefore would not have a significant impact on Norway's production profile.

On the UK side of the North Sea WoodMac believed that the present build-up of production to a forecast average of 2.5m b/d this year might be maintained to 1998. The figure is the highest since 1987 and, if achieved, would represent a second peak in UK North Sea production.

The forecasts coincided with the publication yesterday of official figures confirming the surge in UK petroleum production. In the three months to the end of January oil output was 30m tonnes, a 21.4 per cent rise from a year earlier, according to the Department of Trade and Industry. Natural gas output rose by 15.4 per cent.

The optimistic outlook of the WoodMac study was based on the likelihood that a record number of new fields – 62 – would receive development approval in the next three years or so. Those included some with large potential reserves, such as the Foinaven and Schiehallion fields, which British Petroleum and its partners have found in deep water west of the Shetland Islands.

The fields likely to be developed contain at least 3.5bn barrels of oil and 13 trillion cubic feet of natural gas, equivalent to about 30 per cent of the UK's remaining commercial reserves.

Their importance in sustaining higher levels of UK output is such that by 2000 they could account for 40 per cent of total oil production.

The WoodMac analysts conceded that the persistence of prices for the benchmark Brent Blend of under $15 a barrel would erode the confidence of companies. But their research suggested that a relatively high level of development activity would continue on the UK continental shelf.

The study estimated that investment of £15bn in real terms would be needed to develop the fields. Peak annual expenditure of £3bn would be in 1996, when it would account for 70 per cent of the industry's expected capital spending.

Ms Kate Jackson, a WoodMac analyst, said the fields under study showed a bias towards oil, whereas gas figured more prominently in previous years. The potential gas production of the fields of 3,000m cubic feet a day by 2000 was unlikely to be required, she said, even though independent gas marketing companies were lining up sources of supply to compete with British Gas when the domestic market was opened up to competition beginning in 1996.

The development timetables of some of the mainly gas fields could slip, she said, until gas demand increased in the early years of the next decade.

Sri Lankan planters thirsty for privatisation

Mervyn de Silva reports on conflicting interests in the world's leading tea industry

Sri Lanka's tea and rubber industries, two major export sectors, have done remarkably well in the first year of partial privatisation and President D.B. Wijetunge is keen to move on to the next stage. But there are political obstacles.

Tea production rose to 117m kg in the first six months of 1993 and the estimate for full the year is 230m kg. The first half figure represents a 37 per cent rise over 1992, when a severe drought, the worst in 30 years, cut production to 179m kg. Rubber production in the first six months was 62m kg, up 30 per cent on the same period in 1992. Coconut production did less well, dropping by 14 per cent.

The first phase of privatisation began in July 1993 when 22 management companies signed profit-sharing contracts with the government, which retained ownership of the plantations nationalised by the centre left coalition of prime minister Mrs Bandaranaike in 1972.

Politics decided the issue then – Mrs Bandaranaike's minister of plantation industries was a Marxist – and it was the decisive factor in President Premadasa's compromise in 1992.

Mr Premadasa's dilemma was understood by the IMF and the World Bank, which had been pressing the government to dismantle the two state corporations that owned the plantations. The estates employ well over 500,000 workers, of which 80 per cent are members of the Ceylon Workers' Congress, which is also a political party with five members in parliament. The CWC president, Mr S. Thondaman, the most successful trade union boss in the island's history, has been a cabinet minister since Mr J.R. Jayawardene led the conservative UNP to a sweeping victory in the 1977 election.

This UNP/CWC alliance not only guaranteed a block vote but trade union "peace" on the strategic plantations. If anything, President Premadasa, Mr Jayawardene's successor, was even friendlier, and Mr Thondaman stood by him in every crisis.

Mr Jayawardene and Mr Premadasa, Colombo-based "low-country" politicians, saw Mr Thondaman as an important ally in view of the danger that that the separatist Tamil "tigers" of the north might infiltrate the tea estates and open a new front. But Mr Wijetunge, Mr Premadasa's successor, has been determined to limit the union boss's influence. The new president is a hill country "Kandyan" (Kandy is the central province capital) and the Kandyans have no reason to like the tea pluckers. The British evicted them from their traditional homelands to plant tea and settle cheap indentured Indian Tamil labour.

If he is to press forward with privatisation, however, Mr Wijetunge will have to balance commercial advantage against electoral cost. Moving this highly regulated industry into private ownership will entail a loss of economic protection for Mr Thondaman's members and of many of their votes for the president. But planters are impatient for measures to reduce their cost disadvantage in the export market.

The basic daily wage for tea pluckers was raised from SLRs60 to SLRs70 last June and then to SLRs82, about US$1.70, in July. Wages amount to 60 to 70 per cent of the cost of tea production in Sri Lanka, compared with only about 40 per cent in India, Kenya and Indonesia. More recently devaluation of the Indian rupee has given Sri Lanka's main rival a further advantage.

The critical factors are cost of production and net sale average. India and Kenya help producers to limit production costs and Indonesia has assisted planters by reducing interest rates. And in all three countries lower wages are paid.

"Mr Thondaman, who is a cabinet minister, has got us by the throat," says a Sri Lankan planters' association official.

Spelling out Sri Lanka's strategy, plantations industries minister Mr Rupa Karunatilleke stresses privatisation, removal of excessive export duties and exchange liberalisation. "Aggressive marketing should emphasise health now that there is increasing consumer preference for natural products," he argues.

But the main problem, he admits, is that Sri Lanka's production is almost 90 per cent orthodox tea, when 50 per cent of world demand is for the CTC (cut, tear and curl) type. Sri Lanka has now decided to convert 20 per cent of its tea production to CTC over the next three years, and 25 CTC products are in the pipeline. The cost of conversion will be about US$18m. "All matters are open to negotiation," Mr Thondaman says.

MARKET REPORT

Coffee and cocoa steady

London Commodity Exchange **COCOA** and **COFFEE** futures showed steady gains yesterday after Monday's sharp declines, but traders described trading as "unenthusiastic". May delivery cocoa ended £7 up at 917 a tonne after dipping to £905 early on. Most traders thought support at £900 was likely to hold, though some thought a slide to £870 possible unless fresh outright buying returned.

The coffee market enjoyed light support from a further drop in US certified stocks and the May price closed at $1,223 a tonne, up $10.

At the London Metal Exchange **COPPER** set a generally lower tone.

Compiled from Reuter

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+3,700	to 2,569,825
Aluminium alloy	+180	to 47,100
Copper	-4,450	to 554,500
Lead	-100	to 330,675
Nickel	+1,074	to 133,284
Zinc	+9,550	to 1,049,400
Tin	-195	to 22,210

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1282.5-3.5	1306-7
Previous	1288.5-9.5	1311-2
High/low		1311/1302
AM Official	1283-3.5	1307.5-8.0
Kerb close		1303-04
Open int.	269,503	
Total daily turnover	47,549	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1140-6	1160-6
Previous	1142-5	1162-5
High/low		
AM Official	1145-9	1165-9
Kerb close		1160-70
Open int.	3,581	
Total daily turnover	269	

■ LEAD ($ per tonne)

Close	455.5-6.5	470-1
Previous	471.5-2.5	485-6
High/low		479/466
AM Official	462.5-3.5	477-7.5
Kerb close		473-4
Open int.	34,283	
Total daily turnover	6,562	

■ NICKEL ($ per tonne)

Close	5805-15	5855-65
Previous	5865-70	5915-20
High/low	5840	5900/5855
AM Official	5830-5	5875-80
Kerb close		5865-70
Open int.	51,759	
Total daily turnover	7,514	

■ TIN ($ per tonne)

Close	5410-15	5445-50
Previous	5445-50	5480-5
High/low		5490/5420
AM Official	5465-70	5490-5
Kerb close		5440-5
Open int.	20,035	
Total daily turnover	4,643	

■ ZINC, special high grade ($ per tonne)

Close	945-6	963.5-4.0
Previous	947-9	965-7
High/low		967/962
AM Official	947-8	966-6.5
Kerb close		965-6
Open int.	108,499	
Total daily turnover	16,142	

■ COPPER, grade A ($ per tonne)

Close	1845-6	1869-70
Previous	1860-1	1883.5-84
High/low	1854.5/1854	1881/1860
AM Official	1854-4.5	1877.5-78
Kerb close		1872-3
Open int.	249,294	
Total daily turnover	50,213	

■ LME AM Official £/$ rate: 1.4910
LME Closing £/$ rate: 1.4850

Spot:1.4855 3 mths:1.4804 6 mths:1.4763 9 mths:1.4739

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Mar	85.75	-0.55	86.15	85.25	7,486	1,764
Apr	85.75	-0.70	86.25	85.70	976	11
May	85.90	-0.75	86.50	85.50	32,655	4,827
Jun	86.00	-0.70	86.00	86.00	849	12
Jul	86.05	-0.70	86.85	85.75	7,814	654
Aug	86.15	-0.70	-	-	388	7
Total					69,254	7,404

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	381.10-381.50	
Opening	380.50-380.90	
Morning fix	381.10	255.909
Afternoon fix	381.30	256.509
Day's High	382.10-382.50	
Day's Low	380.30-380.70	
Previous close	381.60-382.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.06	6 months	3.27
2 months	3.09	12 months	3.44
3 months	3.13		

Silver Fix	p/troy oz.	US cts equiv.
Spot	367.75	532.75
3 months	362.15	537.40
6 months	366.70	542.85
1 year	375.15	553.80

Gold Coins	$ price	£ equiv.
Krugerrand	382-385	257-260
Maple Leaf	391.45-393.90	-
New Sovereign	90-93	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	379.4	-3.1	383.6	378.8	-	3
Jun	381.4	-3.1	385.5	380.7	72,597	18,707
Aug	383.7	-3.1	387.3	384.0	32,262	3,377
Oct	386.1	-3.1	388.8	388.9	5,017	111
Dec	388.6	-3.1	392.3	387.8	4,160	1
Feb	391.3	-3.1	394.1	394.1	12,844	522
Total					144,984	22,877

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	393.5	-4.2	398.0	392.0	14,034	2,405
Jul	394.2	-4.2	398.5	393.5	3,808	659
Oct	394.5	-4.2	397.5	395.0	1,072	211
Jan	394.9	-4.2	397.0	395.0	473	16
Apr	396.0	-3.8	399.0	397.5	437	205
Total					19,824	3,496

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	136.10	-	135.80	135.10	259	232
Jun	136.10	-0.90	137.00	136.00	4,236	564
Sep	135.60	-1.15	135.60	135.50	371	50
Dec	135.10	-1.40	136.00	136.00	161	10
Total					8,027	856

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Mar	527.3	-8.3	539.0	528.0	8,627	5,684
May	530.5	-8.5	542.0	530.0	65,721	25,607
Jul	534.3	-8.4	546.0	534.0	18,655	892
Sep	538.3	-8.3	549.0	541.0	3,603	37
Dec	544.0	-8.2	556.0	543.0	8,747	193
Jan	545.2	-8.1	-	-	26	-
Total					109,782	32,072

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	14.61	+0.13	14.73	14.41	112,189	38,609
May	14.77	+0.13	14.88	14.60	55,890	10,769
Jun	14.97	+0.13	15.05	14.83	60,325	4,928
Jul	15.17	+0.13	15.22	15.06	24,791	2,204
Aug	15.35	+0.11	15.42	15.24	14,088	571
Sep	15.58	+0.14	15.58	15.52	18,807	1,055
Total					425,247	62,553

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	13.50	+0.15	13.56	13.35	65,175	14,972
May	13.66	+0.17	13.70	13.45	31,078	6,256
Jun	13.82	+0.17	13.87	13.68	14,699	1,416
Jul	14.03	+0.32	14.03	13.87	9,450	477
Aug	14.15	+0.25	14.15	14.03	4,747	26
Sep	14.32	+0.09	14.32	14.20	2,658	-
Total					N/A	23,108

■ HEATING OIL NYMEX (42,000 US galls; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	44.75	-0.14	45.45	44.40	48,399	23,835
May	43.50	+0.36	43.65	43.05	43,275	7,522
Jun	43.50	+0.61	43.60	43.00	25,476	2,382
Jul	44.10	+0.56	44.10	43.70	18,698	1,249
Aug	44.85	+0.56	44.85	44.75	8,750	553
Sep	45.90	+0.56	45.90	45.90	8,020	523
Total					175,083	62,387

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	140.75	+0.25	140.75	139.25	28,141	4,418
Apr	139.50	-0.50	139.75	138.50	23,560	3,179
May	138.75	-0.75	138.75	138.00	13,181	1,774
Jun	139.25	-1.00	139.75	138.50	15,801	1,598
Jul	141.50	-0.75	141.50	140.50	10,261	315
Aug	143.50	-1.25	143.75	143.25	5,067	70
Total					118,877	14,115

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	2.170	-0.038	2.220	2.160	18,556	10,830
May	2.140	-0.025	2.170	2.140	12,317	1,706
Jun	2.130	-0.018	2.150	2.130	9,370	894
Jul	2.125	-0.015	2.140	2.125	9,486	633
Aug	2.130	-0.015	2.145	2.130	8,172	523
Sep	2.160	-0.010	2.165	2.160	10,237	186
Total					117,210	15,381

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	45.30	+0.15	45.60	44.70	2,442	17,159
May	46.00	+0.18	46.25	45.60	38,698	15,448
Jun	46.50	+0.13	46.60	46.05	38,944	3,658
Jul	46.75	+0.20	46.75	46.30	17,379	2,177
Aug	46.46	+0.10	46.60	46.35	4,435	424
Sep	46.50	+0.15	46.50	46.30	4,697	123
Total					109,731	39,036

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	102.35	-0.05	102.50	101.75	257	22
May	103.85	-0.35	104.70	103.00	2,157	324
Jun	104.15	+0.15	104.30	103.00	427	25
Sep	91.55	+0.05	-	-	192	-
Nov	92.65	+0.15	92.50	92.50	968	30
Jan	94.40	+0.15	94.25	94.25	384	3
Total					4,418	404

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	340/6	-1/6	346/0	340/0	16,830	22,670
May	344/0	-1/2	349/2	342/6	72,945	41,000
Jul	333/4	-1/4	335/6	332/2	85,610	41,755
Sep	335/2	-1/6	337/4	334/6	14,295	1,300
Dec	343/0	-1/4	345/0	342/6	19,095	2,180
Mar	346/0	-1/4	-	-	10	-
Total					208,898	109,176

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	284/6	-0/6	288/0	283/4	77,900	87,800
May	293/6	-	294/6	292/2	840,005	167,065
Jul	296/6	+0/2	297/6	295/4	517,720	66,705
Sep	282/4	+0/6	283/0	281/4	115,460	8,500
Dec	268/6	+1/4	269/6	266/6	267,225	25,955
Mar	275/0	+1/6	275/4	272/6	16,455	270
Total					1.843M	353,120

■ BARLEY LCE (£ per tonne)

Mar	104.85	+0.20	105.00	105.00	251	55
May	104.90	-0.35	-	-	212	-
Sep	92.50	-	-	-	119	-
Nov	94.50	+0.50	-	-	58	-
Jan	95.75	-	-	-	3	-
May	97.25	-	-	-	-	-
Total					643	55

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Mar	678/4	+1/2	681/2	676/2	61,790	54,765
May	684/4	+0/6	687/0	682/0	298,570	127,915
Jul	687/2	+0/4	690/0	685/0	223,895	27,835
Aug	679/4	-0/2	683/0	678/4	36,515	1,590
Sep	663/0	-	665/0	662/4	18,560	820
Nov	649/6	-1/0	652/0	649/0	124,030	14,670
Total					780,885	228,316

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Mar	28.99	+0.14	29.13	28.80	10,716	4,219
May	29.04	+0.12	29.18	28.80	36,572	8,951
Jul	29.00	+0.10	29.12	28.78	25,746	2,935
Aug	28.52	+0.06	28.65	28.35	6,870	370
Sep	27.98	+0.09	28.05	27.80	8,758	216
Oct	27.12	+0.17	27.15	27.00	5,473	253
Total					106,346	17,048

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Mar	191.6	-1.2	193.6	191.3	7,480	5,460
May	192.7	-0.7	194.0	191.8	30,762	8,738
Jul	193.4	-0.6	194.5	192.2	23,503	3,549
Aug	192.5	-0.3	193.6	191.7	6,926	204
Sep	191.1	-0.4	192.5	190.6	5,145	397
Oct	189.9	-0.6	191.5	189.8	2,886	61
Total					85,834	19,208

■ POTATOES LCE (£/tonne)

Mar	150.0	-	-	-	36	-
Apr	138.5	+12.0	140.0	124.5	1,677	407
May	156.8	+12.5	158.0	143.5	970	278
Jun	130.0	-	-	-	2	-
Nov	80.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Total					2,711	737

■ FREIGHT (BIFFEX) LCE ($10/index point)

Mar	1132	-12	1140	1130	344	83
Apr	1192	-17	1209	1190	1153	143
May	1189	-	1201	1190	-	140
Jul	1088	-10	1210	1090	588	10
Oct	1250	-	-	-	243	-
Jan	1285	+5	-	-	74	-
Total					2,465	369

	Close	Prev
BFI	1115	1117

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 1,675-1,730. Bismuth: min. 99.99%, tonne lots 2.25-2.45. Cadmium: min. 99.5%, 0.60-0.68. Cobalt: MB free market, 99.8%, 22.00-22.80 (21.00-22.00); 99.3%, 16.50-17.00 (16.20-17.20). Mercury: min. 99.99%, $ per 76 lb flask, 90-100. Molybdenum: drummed molybdic oxide, 2.80-2.85. Selenium: min 99.5%, 3.90-4.75. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 27-38. Vanadium: min. 98%, cif, 1.35-1.45. Uranium: Nuexco exchange value. 7.00.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	897	+9	898	882	4,577	2,558
May	917	+7	918	905	23,146	4,218
Jul	929	+7	928	918	14,534	783
Sep	942	+8	939	930	11,192	400
Dec	956	+8	956	944	17,326	503
Mar	970	+8	970	962	22,950	288
Total					110,744	8,787

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1138	+16	1145	1135	542	32
May	1154	+15	1157	1134	36,120	4,281
Jul	1176	+11	1160	1160	16,602	578
Sep	1201	+12	1193	1185	7,822	46
Dec	1232	+13	1235	1221	6,438	216
Mar	1261	+13	1265	1253	9,874	37
Total					88,888	5,432

■ COCOA (ICCO) (SDR's/tonne)

Feb 28	Price	Prev. day
Daily	903.10	922.36
Mar 1		
10 day average	903.42	900.24

■ COFFEE LCE ($/tonne)

Mar	1213	+20	1215	1199	2,070	771
May	1221	+8	1226	1212	15,403	1,460
Jul	1223	+5	1224	1217	8,091	1,172
Sep	1224	+5	1225	1220	3,574	562
Nov	1229	+8	1231	1223	3,486	620
Jan	1230	+11	1229	1227	4,091	500
Total					38,723	5,268

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	74.85	+0.25	75.30	74.80	1,021	335
May	76.65	+0.25	77.05	76.60	30,085	8,683
Jul	78.05	+0.25	78.50	78.00	7,350	1,141
Sep	79.35	+0.10	79.80	79.35	5,017	238
Dec	80.65	+0.15	81.00	80.65	3,118	93
Mar	81.55	+0.05	82.10	81.85	1,048	23
Total					47,713	10,833

■ COFFEE (ICO) (US cents/pound)

Feb 28	Price	Prev. day
Comp. daily	72.17	73.21
15 day average	72.86	72.86

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Mar	12.01	+0.03	11.34	11.25	804	20
May	12.42	+0.44	12.05	12.05	1,477	10
Jul	11.89	-0.58	12.48	12.48	2,902	5
Oct	11.87	-0.06	11.87	11.87	135	
Total					4,514	35

■ WHITE SUGAR LCE ($/tonne)

May	327.20	+0.80	328.00	324.50	7,839	929
Aug	323.30	+1.80	324.00	320.60	3,911	561
Oct	302.20	-0.40	303.00	301.80	3,181	452
Dec	299.50	-0.10	-	-	128	-
Mar	298.20	+0.30	299.00	298.30	346	15
May	299.20	+0.10	-	-	190	-
Total					15,791	1,957

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

May	11.78	-0.02	11.95	11.73	2,098	2,981
Jul	11.96	-0.02	12.11	11.93	82,199	6,224
Oct	11.58	-0.06	11.66	11.54	26,985	2,073
Mar	11.38	-0.11	11.52	11.36	22,250	1,697
May	11.32	-0.16	11.48	11.40	6,989	389
Jul	11.32	-0.05	11.39	11.38	943	1
Total					122,411	13,385

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	78.90	-0.10	79.14	78.40	893	133
May	78.98	-0.28	79.30	78.60	25,913	3,125
Jul	79.48	-0.24	79.80	79.10	11,931	1,034
Oct	74.89	-0.15	75.15	74.80	2,338	166
Dec	72.32	+0.03	72.35	72.11	10,654	497
Mar	73.10	+0.10	73.00	72.95	349	94
Total					82,285	5,054

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	106.50	+2.20	106.75	104.55	2,059	37
May	109.40	+1.75	109.80	107.90	8,168	1,117
Jul	112.05	+1.65	112.50	110.80	4,278	758
Sep	114.35	+1.85	115.00	112.85	1,704	18
Nov	115.45	+1.95	113.85	113.85	1,135	20
Jan	117.00	+1.05	117.25	116.75	1,147	70
Total					18,548	2,020

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 1	Feb 28	month ago	year ago
1792.7	1792.7	1735.7	1787.3

■ CRB Futures (Base: 4/9/56=100)

Feb 28	Feb 25	month ago	year ago
227.55	227.45	-	203.99

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	76.375	-0.725	76.950	76.250	37,026	9,520
Jun	74.600	-0.375	75.000	74.425	21,025	2,227
Aug	73.375	-0.050	73.500	73.175	12,201	939
Oct	73.725	-0.100	73.875	73.550	9,697	663
Dec	74.025	-0.025	74.100	73.850	2,017	98
Feb	73.575	-0.175	73.700	73.575	811	2
Total					83,834	13,341

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Apr	48.975	-0.525	49.225	48.900	14,969	2,418
Jun	54.700	-0.250	54.950	54.525	8,255	816
Jul	54.025	-0.225	54.200	53.900	3,155	221
Aug	52.500	-0.300	52.700	52.300	2,508	154
Oct	48.500	-0.300	48.650	48.350	1,474	31
Dec	49.250	-0.300	49.450	49.200	1,248	93
Total					31,904	3,656

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Mar	56.250	-0.600	56.750	55.500	882	440
May	57.550	-0.375	58.075	56.950	5,404	1,585
Jul	57.675	-0.600	58.250	57.250	2,315	252
Aug	54.750	-0.850	55.900	54.750	453	27
Feb	59.750	-0.075	59.900	59.750	15	1
Mar	60.000	-	60.200	-	1	1
Total					9,071	2,308

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1275	47	78	23	39
1300	34	65	35	60
1325	23	53	49	63
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
1850	47	82	36	54
1900	25	58	64	79
1950	12	39	101	109
■ COFFEE LCE	May	Jul	May	Jul
1200	53	76	32	53
1250	30	54	59	81
1300	16	38	95	115
■ COCOA LCE	May	Jul	May	Jul
900	41	66	24	37
925	30	52	38	48
950	21	42	54	63
■ BRENT CRUDE IPE	Apr	May	Apr	May
1300	-	-	13	34
1350	32	63	30	50
1400	10	38	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

		+or-
Dubai	$12.70-2.85w	+0.07
Brent Blend (dated)	$13.42-3.45	-0.12
Brent Blend (Apr)	$13.51-3.54	-0.025
W.T.I. (1pm est)	$14.65-4.67	-0.02

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$164-166	
Gas Oil	$146-147	+0.5
Heavy Fuel Oil	$81-83	
Naphtha	$135-137	
Jet Fuel	$160-162	+1.5

Petroleum Argus Estimates

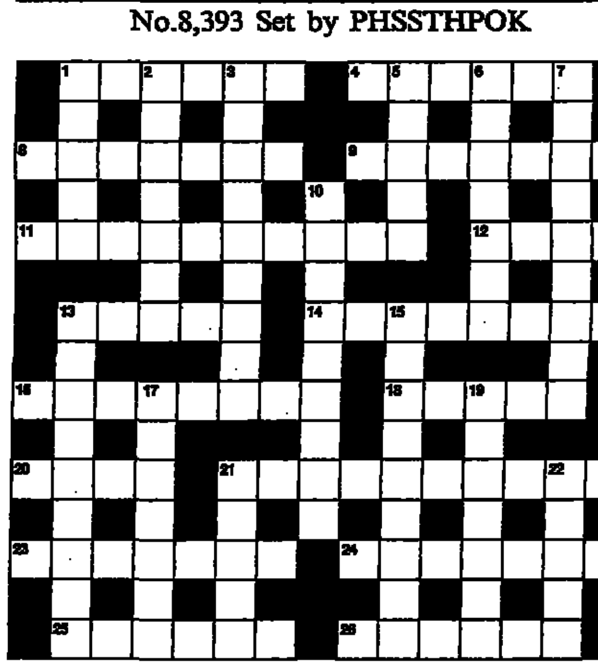
■ OTHER

Gold (per troy oz)♣	$381.30	-0.50
Silver (per troy oz)♣	536.5c	+4
Platinum (per troy oz.)	$392.75	-1.9
Palladium (per troy oz.)	$135.25	-0.5
Copper (US prod.)	92.00c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.55r	-0.03
Tin (New York)	253.50c	-1.0
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	123.19p	+0.84*
Sheep (live weight)†♣	119.37p	-0.01*
Pigs (live weight)	78.14p	+4.78*
Lon. day sugar (raw)	$285.8	+5.3
Lon. day sugar (wte)	$331.0	+2.9
Tate & Lyle export	$304.0	+3.0
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£129.0	
Wheat (US Dark North)	£143.5	
Rubber (Apr)♥	65.00p	+0.25
Rubber (May)♥	65.25p	+0.25
Rubber(KL RSS No1 Apr)	241.00m	+0.5
Coconut Oil (Phil)§	$555.0x	-2.5
Palm Oil (Malay.)§	$367.5t	-5
Copra (Phil)§	$365.0	
Soyabeans (US)	£198.0	
Cotton Outlook A index	82.65c	+0.05
Wooltops (64s Super)	373p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w Apr. t Jul/Sep. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,393 Set by PHSSTHPOK



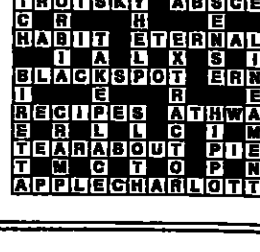
ACROSS

1 Article packaged in counterfeit cover (6)
4 Delicious starter with fruit and pepper (6)
8 Letter written by faculty gives permit (7)
9 Lizards attacked us again (7)
11 Sharp chance (10)
12 Trial was previously in the morning (4)
13 It is known to me in a rage (5)
14 Speech made by chorister lacks point (8)
16 Study of church right to make musical composition (8)
18 Utensil employed before on back operations (5)
20 Shy person can look awfully modest at first (4)
21 People who used to be animals! (10)
23 Town boor produced expression of disgust (7)
24 They petition to bankrupt leading stockbroker (7)
25 Offer to finish text before first letter erased (6)
26 Savage delayed without direction is enraged (6)

DOWN

1 As joke is sarcastic, I'm occasionally holding back (5)
2 Metal part of pen contains nothing I follow with hesitation (7)
3 He may claim to be young or old (9)
5 Cherub has a pointed stick (5)
6 Spot and body odour treatment (7)
7 Emergence of no animate movement (9)
10 With tip of rapier, cut blade down the right side (9)
13 Free when limb is unshackled (9)
15 Alternative ways lead to this place and to another place (9)
17 Carry cot with romper is broken without any hesitation (7)
19 Bound to be thankful (7)
21 One does not drink when on this (5)
22 Nobleman first to yell "Forward" (5)

Solution 8,392



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LONDON STOCK EXCHANGE

MARKET REPORT

Equities hit hard by renewed setback in bonds

By Terry Byland, UK Stock Market Editor

Another heavy sell-off in the bond markets yesterday wiped out the attempted recovery of confidence in UK equities. Late afternoon saw share prices tumbling on all sides as global bond markets reacted with heavy falls to a sharp rise in the February price index compiled by the US National Purchasing Managers Association (NPMA).

The FT-SE 100 Index fell 57.5, or 1.7 per cent, to 3,270.6, the day's low, Selling increased as the market fell away but trading volume remained fairly moderate. With the pressure largely focused on the blue chip leaders, the FT-SE Mid 250 Index lost only 15.4 to 3,944.6.

The NPMA report was the last straw for a stock market which has been firmly under the heel of the bond markets. An initial firming in equities was abruptly reversed by a downturn in European bonds on disappointment with the outcome of the variable repo tender in Germany. Then came the upward revision of the fourth-quarter US GDP figure, which gave the first hint of renewed inflation concern.

But the Footsie was down only 19 points at that stage. It was the NPMA price index which turned the cold wind blowing through the markets into a hurricane. As on Thursday, share prices were at the mercy of bonds and, with stock index futures setting the pace, simply crumpled as both short and long-dated gilts plunged. Weakness in short-dated gilts implied negative views on base rate prospects, underlining the reversal of sentiment which lies beneath the market setback.

Account Dealing Dates		
*First Dealings: Feb 14	Feb 28	Mar 14
Option Declarations: Feb 24	Mar 10	Mar 24
Last Dealings: Feb 25	Mar 11	Mar 25
Account Day: Mar 7	Mar 21	Apr 5

*New time dealings may take place from two business days earlier.

A sizeable trading programme, weighted towards the sell side, had appeared in the market before the collapse began and probably had little effect. Share quotations were cut repeatedly by marketmakers struggling to avoid speculative sellers and fund managers trying to reduce exposure.

At Kleinwort Benson Securities, the London merchant bank and securities house, Mr Albert Edwards pointed out that the NAPM index is linked to commodity prices, making it a significant indicator of inflationary pressures ahead in the US. London traders saw yesterday's fall in US bonds as a sign that prospects of further tightening in Federal Reserve policies had come several steps closer.

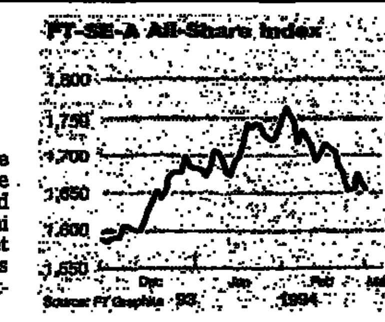
The day's trading volume of 720.8m shares through the Seaq network compared with 705.2m on Monday, when retail business was worth £1.38bn. While there has been no heavy selling of equities, it has been noted by the strategists that there has been no sign that cash taken out of gilts is seeking a home in the stock market.

Once again, the financial sectors suffered severely as investors reckoned the possible damage to the securities trading divisions of the fresh round of losses in global bond markets. Hongkong and Shanghai Banking, down in the home market overnight, fell heavily in London as some analysts questioned the outlook at the Hang Seng Bank unit.

There was little that equity strategists could say yesterday except to repeat the comments made last week. Many still see the setback as a buying opportunity, but warn that the market could be in for further shocks in the near term.

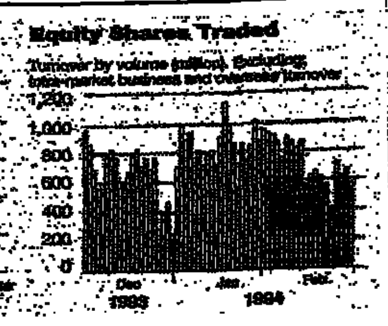
The focus remains entirely on the bond markets, which are expected to remain nervous ahead of the German M3 money supply figures, due later this week, and, of course, to recurrent bouts of nervousness that the US Federal Reserve may be about to tighten credit policy again.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3270.6	-57.5	FT Ordinary Index	2536.0	-28.1
FT-SE Mid 250	3944.6	-15.4	FT-SE-A Non Fins p/e	22.28	(22.51)
FT-SE-A 350	1660.9	-23.9	FT-SE100 Fut Mar	3251.0	-68.0
FT-SE-A All-Share	1653.13	-22.36	10 yr Gilt yield	7.31	(6.92)
FT-SE-A All-Share yield	3.48	(3.43)	Long gilt/equity yld ratio:	2.15	(2.14)

Best performing sectors

1	Extractive Inds	+1.2
2	Engineering, Vehicles	+0.2
3	Pharmaceuticals	+0.1
4	Oil Exploration & Prod	+0.0
5	Water	-0.1

Worst performing sectors

1	Banks	-4.9
2	Tobacco	-3.5
3	Breweries	-2.1
4	Insurance	-2.0
5	Merchant Banks	-1.9

Setback in HK stocks

The London market's heavily traded Hong Kong orientated stocks were given the roughest of rides in a generally uncomfortable equity market yesterday as dealers responded to the 2.5 per cent slide in Hong Kong share prices.

Worst affected of the front line stocks was HSBC Holdings, which followed Monday's gradual post-results deterioration in its share price in London with a substantial retreat.

Marketmakers said there was little support for HSBC shares throughout the day, with the stock price dropping to a low for the session of 868p at the close to leave a fall of 77p, or 8.1 per cent, after turnover of 6.1m shares. The Hong Kong-registered stock settled 80 off at 892p.

NatWest Securities was one broking house to emphasise worries about quality of earnings at the bank which it said could hold the shares back in the short term.

Upgrading its current-year numbers, NatWest said it expected a declining bad debts charge because of recovering economies in the UK and US, scope for growth in net income, and a high level of asset disposal profits. For 1994, the broker lifted its forecast from £2.7bn to £2.8bn, and for 1995 to £3.07bn. It also forecast a 13 per cent increase in the 1994 dividend to 26.5p and is looking for a dividend total of 29p for 1995.

The fallout from HSBC impacted on other Hong Kong and Pacific Rim stocks such as Standard Chartered and Cable and Wireless. The former plunged 56, or 4.6 per cent, to 1159p after turnover of 928,000 shares, with one of the London market's biggest securities houses said to have tried to unwind a big long position in the stock just before the close of trading. C&W, the telecoms group, held up well compared with HSBC and Standard, finishing only 13 down at 460p on turnover of 5.4m shares.

Vodafone firm

Vodafone, the UK's biggest cellular telephones group, was one of only a handful of FT-SE 100 constituents to gain ground yesterday, responding to renewed US buying and news of further big increases in the group's subscriber base.

The group said net new connections to its network during February were 36,551 and that it now served more than 1.12m subscribers. Vodafone's arch-rival in the cellular telephones business in the UK, Cellnet, owned 60-40 by BT and the Securicor group, also revealed highly encouraging new subscriber figures. Cellnet attracted 39,000 new customers to its service during February.

Vodafone shares moved up 7½ more to 609p in heavy turnover of 2.9m. BT shares, on the other hand, suffered from the general weakness across the market, with the "old" stock 3½ off at 431½p and the "new" 4 down at 312½p.

An early upsurge in Abbey National, after the bank revealed better than expected profits and a top of the range increase in the dividend, failed to hold and the bank's shares retreated to close sharply lower on the session.

But marketmakers were keen to point out that there had been very little selling pressure in the stock. "The numbers were excellent and the dividend was as good as we could have expected, but you cannot ignore a falling market; when the market pounces, so will Abbey," was the comment from one trader.

The shares ended a volatile session 16 cheaper at 489p, having been as high as 516p immediately after the figures were announced. Turnover reached 9.7m shares.

Dealers reported hefty selling of the merchant banks late in the session amid continuing worries about their exposure to big losses in bond markets incurred by some of the big hedge funds. S.G. Warburg relinquished 7 to 888p, Hambros 19 to 385p and Schroders 15 to 1153p.

General Accident was one of the FT-SE 100's star performers, the shares managing to close in positive territory and 4 higher at 651p, after 661p, following the excellent preliminary figures.

Lloyds Abbey Life was lifted by a James Capel recommendation. The stock went up 23 to 420p.

An upbeat trading statement from Grand Metropolitan provided a temporary relief to the downward pressure in the drinks sector, but the shares soon succumbed to the market trend and fell further during the afternoon. The stock finished 15 down at 468p after a hefty 8.2m traded.

Among other big fallers, Bass tumbled 19 to 518p, Wolverhampton & Dudley 13 to 506p and Whitbread 11 to 554p. Dealers said sentiment had been hit by reports that UK consumers will be allowed to telephone drinks orders to France for direct delivery.

Betting and hotel group Ladbroke gained 2½ to 211½p on 12m traded on expectations of good results tomorrow. Joint broker Smith New Court was also said to be making positive noises. Although a cut in the dividend is forecast by some analysts, more visibility is also being anticipated in the first set of results since the group's founder Mr Cyril Stein retired.

Granada was hit by further selling in the wake of its takeover of LWT and the shares fell 15 to 540p on turnover of 6.9m. LWT slid 17 to 708p.

Market fears on the outlook for interest rates led to weakness in international conglomerate Hanson leaving the shares trailing 4 to 274p.

Leading pharmaceutical stocks were generally firm on dollar considerations. Glaxo, with Panmure Gordon positive, gained 4½ to 683p, Wellcome added 2 to 656p and Zeneca put on 7 to 776p.

A profit rise of 60 per cent from Inveresk saw shares in the speciality paper group pence jump to 7 to 230p.

Dawson International slipped 5 to 153p after it announced it was pulling out of the loss-making US woolen business and would take a one-off exceptional provision of £50m for this year.

Furniture group Silentnight tumbled 38 after announcing that profits to the year ended in January would be below market expectations. The shares later recovered to close at 355p, a fall of 18 on the day. The company blamed margin pressures for the warning.

Boots was said to have been undone by a big US seller and the shares fell 14 to 532p. Yield buying lifted Dalgety by 3 to 473p.

Shares in British Steel fell 5 to 138½p, with 12m shares traded, after steel group ASW reported full-year figures below market expectations and warned of continuing overcapacity in the industry. ASW was unchanged at 190p.

International mining group RTZ was among a handful of stocks that resisted the market slide and closed 14 up at 867p, on volume of 5m, making it the best performing stock in the FT-SE 100. The shares were boosted by a firm gold price and the prospect of increased demand for copper.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Steve Thompson.

Other statistics, Page 21

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (84).
BANKS (1) Mitsubishi Tst. & Bkg., BREWERIES (1) Grosvenor Inns, BUILDING & CNSTRN (5) AMEC, Bett Bros., Tay Homes, BLDG MATLS & MCHTS (2) Shaw (A), Wishaw, DISTRIBUTORS (7) Adam & Harvey, Headlam, Henlys, Lookers, Norbain, Pendragon, Wholesale Ftgs., DIVERSIFIED INDLS (1) Kvaerner B, ELECTRICITY (1) PowerGen, ELECTRNC & ELECT EQUP (9) TDK Corpn., Thorpe (FW), Toshiba Corpn., ENGINEERING (7) Baynes (C) 8.5pc Pf., Metalrax, Morris Ashby, Siebe, Turnpyke, Vosper Thornycroft, Wagon Ind'l., EXTRACTIVE INDS (7) Caledonia Mining Corp., Intermin Res., Kidston Gold Mines, Meekatharra, NSM, Niugini, Petaling, FOOD MANUF (2) Borthwicks, Kakuzi, HOUSEHOLD GOODS (1) Delaney, INVESTMENT TRUSTS (8) Dunedin Japan Inv., EFM Japan Wts., Fairbairn Euro. Smaller, Greyfriars Inv., HTR Japanese Smaller, INVESTMENT COMPANIES (1) JF Fledgeling Japan, LEISURE & HOTELS (1) Stanley Leisure, MEDIA (3) Metro Radio, Sunset & Vine, Telegraph, OIL, INTEGRATED (1) Norsk Hydro, OTHER FINANCIAL (2) Camellia, Daiwa Secs., OTHER SERVS & BUSNS (2) Chemex Int'l.,UDO, PRTNG, PAPER & PACKG (2) Inveresk, Low & Bonar, PROPERTY (1) Anglo St. James, RETAILERS, FOOD (1) Park Food, SUPPORT SERVS (7) Admiral, CRT, Computer People, Corporate Services, Manpower Inc., Stat-Plus, Waterman Partnership, AMERICANS (2) Lowe's, Sun Co. Inc.
NEW LOWS (9).
GILTS (2) Treas 8¾pc 2004,Do 6¾pc A, ENGINEERING (2) Beaufort,Beckenham, FOOD MANUF (1) Everest Foods, INSURANCE (2) Abtrust Lloyds, USF & G, TEXTILES & APPAREL (1) Martin Int'l.

EQUITY FUTURES AND OPTIONS TRADING

The return of heavy selling in global bond markets brought another slide in stock index futures, following the release of US economic data, *writes Joel Kibazo.*

Dealers reported a dull morning after the March contract on the FT-SE 100 opened at 3,320. Light selling saw it drift gently lower before steadying over the lunchtime period.

It was the early afternoon release of the US Purchasing Managers' price index that started the sell off in bond markets and prompted the sharp retreat in the futures. The fall in March pulled the underlying cash market lower, though the contract remained at a large discount to cash for most of the afternoon. Traders said there were few opportunities for arbitrage trading.

March closed at 3,251, down 69 on its previous close and at a 13 point discount to its estimated fair value premium to cash of minus 8. Volume was 22,102 lots.

Turnover in the FT-SE Mid-250 futures contract on Liffe was 628 lots as it finished at 3,264. The same contract on the OMLX traded 117 contracts, with open interest recorded at around 2,867.

In traded options, volume was 32,799. Turnover in the FT-SE 100 was 13,936 lots and 3,637 in Abbey National, the most active stock option.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3320.0	3251.0	-68.0	3322.0	3240.0	22102	58873
Jun	3327.5	3264.0	-68.5	3334.5	3264.0	1024	14743
Sep	3349.0	3285.0	-68.0	3349.0	3349.0	50	440

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Mar	3960.0	3933.0	-31.0	3964.0	3932.0	628	370

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Mar	3955.0	3930.0	-25.0	3960.5	3933.0	112	2867
Jun		3945.5					-

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3278) £10 per full index point

[illegible]

Calls 9,051 Puts 4,514

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P
Mar	182½	8	139½	16	99½	24½	66½	41½	41½	63½	22	95½	10½	135½	4½	178½
Apr	203½	27	164½	38	129½	52½	98½	71	72	94	50½	122½	33½	155½	21½	192½
May			190	56			126½	91½			76	140			40½	203½
Jun			203	65			141½	101½			92½	151½			57	214
Sept†			246	89			185	125½			134	171½			93	228

Calls 244 Puts 29 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P	4150 C	4150 P	4200 C	4200 P	4250 C	4250 P	4300 C	4300 P
Mar	44	64	24½	94	13	132½	6	176	3½	222	2	270	1		½	
Apr	79	92	57	118½			40½	153	28	190	18½				4½	

Calls 4 Puts 45 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Mar 1	Day's chge%	Feb 28	Feb 25	Feb 24	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3270.6	-1.7	3328.1	3281.2	3267.5	2882.3	3.67	5.57	21.94	10.46	1202.48
FT-SE Mid 250	3944.6	-0.4	3960.0	3919.9	3923.0	3050.0	3.12	4.89	25.20	11.43	1436.07
FT-SE Mid 250 ex Inv Trusts	3959.5	-0.3	3972.9	3932.5	3937.3	3060.8	3.21	5.22	23.77	11.26	1436.73
FT-SE-A 350	1660.9	-1.4	1684.8	1662.6	1657.6	1421.1	3.54	5.41	22.63	5.20	1250.46
FT-SE SmallCap	2038.78	-0.3	2043.99	2039.34	2046.77	1538.21	2.70	3.43	37.18	5.67	1651.13
FT-SE SmallCap ex Inv Trusts	2018.53	-0.2	2022.63	2018.85	2027.28	1541.58	2.84	3.76	34.65	5.23	1537.98
FT-SE-A ALL-SHARE	1653.13	-1.3	1675.49	1654.67	1650.46	1403.41	3.48	5.27	23.27	5.13	1266.59

■ FT-SE Actuaries All-Share

	Mar 1	Day's chge%	Feb 28	Feb 25	Feb 24	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2569.48	-0.7	2588.63	2551.13	2532.89	2102.40	3.52	4.85	25.52	4.90	1004.62
12 Extractive Industries(4)	3978.07	+1.2	3930.51	3819.11	3794.52	3145.60	3.13	4.60	25.75	0.00	1070.52
15 Oil, Integrated(3)	2477.24	-1.3	2509.46	2481.76	2462.65	1977.90	3.64	5.01	24.87	8.35	988.06
16 Oil Exploration & Prod(11)	1881.61	.....	1880.71	1851.14	1845.22	2030.20	3.17	3.81	33.66	0.00	1066.96
20 GEN MANUFACTURERS(264)	2135.48	-1.0	2156.73	2136.20	2134.24	1716.20	3.45	3.79	34.21	4.39	1059.07
21 Building & Construction(31)	1514.08	-0.5	1521.31	1500.54	1507.66	906.50	2.34	1.28	80.00†	2.16	1159.98
22 Building Matls & Merchs(30)	2257.52	-0.6	2270.66	2248.19	2247.66	1510.50	3.12	2.58	53.28	1.14	1034.37
[illegible]											

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	18,000	57¼	+¼
Abbey National†	9,700	489	-16
Albert Fisher	451	67	-2
Allied-Lyons†	1,000	619	-10
Anglian Water†	1,400	532	-2
[illegible]			
Coats Viyella†	1,400	267	-7
Comm. Union†	1,300	606	-20
Cookson	2,000	280	-7
Courtaulds†	2,500	509	+7
Dalgety	278	473	+3
De La Rue	616	954	-5
Dixons	1,300	215	+½
Eastern Elect.	2,400	659	
East Midland Elect.	1,200	645	+5
Eng China Clays	1,100	495	-7
Enterprise Oil†	1,700	435	+5
Eurotunnel Units	106	539	-1
FKI	1,700	204	+9
Fisons	5,400	127	
Foreign & Col. I.T.	527	281½	-2½
Forte†	6,700	259	-1
Gen. Accident†	4,100	651	+4
General Elect.†	2,100	313	-7½
Glaxo†	4,900	683	+4½
Glynwed	273	359	-2
Granada†	7,300	540	-15
Grand Met.†	8,800	468	-15
GUS†	1,800	597	-7
GRE†	1,300	212	-4
GKN	996	537	-3
Guinness†	2,800	520	-6
HSBC (75p shs)†	6,400	868	-77
Hammerson	723	427	+8
Hanson†	8,700	273½	-3¾
Harrisons Crosfield	987	204	-5
Hays	4,700	311	+4
Hillsdown	867	175	
IMI	681	347	
ICI†	2,700	749	-13
Inchcape†	1,600	542	-17
Johnson Matthey	283	569	
Kingfisher†	3,700	586	-18
Kwik Save	21	590	-5
Ladbroke†	11,000	211½	+2½
Land Securities†	2,100	719	-13
Laporte	91	823	+3
Legal & General†	1,200	492	-6
Lloyds Abbey	838	420	+23
Lloyds Bank†	3,400	598	-15
LASMO	873	129	-2
London Elect.	58	640	+5
Lonrho	3,300	160	-3½
Lucas	933	223	+3
MEPC†	788	508	-2
[illegible]			

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	63	10
Other Fixed Interest	0	10	5
Mineral Extraction	64	50	73
General Manufactures	94	197	391
Consumer Goods	26	60	107
Services	73	141	307
Utilities	16	17	13
Financials	101	132	157
Investment Trusts	27	195	240
Others	54	39	31
Totals	476	904	1334

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	March 4	Last Declarations	June 2
Last Dealings	March 21	For settlement	June 13

Calls: Aresco, BM, Blacks Leisure, Clayton Son, Cons Murchison, Development Sec, Euro Disney, Hanson Wts, Hawtin, Lex Service, NSM, Ransomes 8.25p Prf, Rodime, Sainsbury (J), Tadpole Tech, Vickers. Puts: Euro Disney, NSM. Puts & Calls: ASDA, Arcon Intl, Caverdale, Development Sec, Greycoat, Hanson Wts, Kunick, Manchester Utd, Matthews (B), Mid-States.

LONDON RECENT ISSUES: EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

صكذا من الأصل

BANKS

	Notes	Price	+ or -	1993/94 High	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23½	-⅜	£25¾	£18¾	6,555	4.4	12.5
ANZ A$		201½	-7¼	278¾	130	3,289	3.6	19.9
Abbey National	[illegible]	469	-16	524	345	6,430	3.7	16.1
Allied Irish I£	[illegible]	269xd	-5	314	179	1,733	4.7	φ
Anglo Irish I£	[illegible]	63	—	70	28	153.7	6.8	11.5
Asahi Y		782½	-6½	844	415	17,469	0.7	–
Banco Bil Viz Pts		£16	+1	£17¾	£13½	3,711	5.1	7.2
Banco Sant Pts		£34½	—	£36	£24	3,847	3.9	13.2
Bank Leumi (UK)		450xd	—	480	325	38.9	5.6	φ
Bk Ireland I£	[illegible]	289	-3	319	177	1,283	4.7	19.8
Bank Scotland	[illegible]	217	-6	247	116½	2,525	2.7	29.5
9¼pc Pf		131¾	-1¼	141½	117¾	131.9	8.8	–
9⅞pc Pf		139¾	-1½	148	123½	136.2	8.6	–
Barclays	[illegible]	536	-22	652	362	8,669	2.9	–
Dai Ichi Kan Y		£12	—	£15	£8	40,345	0.4	71.5
Deutsche DM		£313¼	-8	£348	£250½	14,908	1.8	–
Espirito Santo		£24	—	£28	£16½	282.7	3.3	6.9
First Nat Fin	[illegible]	87xd	—	95	45	148.0	2.2	–
6.3pc Cv Pf		89	—	91	55	5.98	8.8	–
7pc Cv Pf		165	—	171	106	78.5	5.3	–
Fuji Bank Y		1498½	-8¼	1651	876	43,304	0.4	–
HSBC HK		892	-80	1133	474	15,226	3.4	φ
HSBC (75p Shs)		895	-77	1113	480	7,128	3.4	φ
Lloyds	[illegible]	596xd	-15	680	482	7,595	4.7	12.4
Mitsubishi Y		£18	—	£19¾	£11	52,798	0.3	–
Nitsu Tst & Bk Y		1022¾	+76¾	1027¾	462½	13,319	0.6	16.4
Mitsui Tst & Bk Y		784¼	+51½	852	374	9,408	0.7	26.7
Nat Aust A$		571½	-1	620¼	322	7,814	4.1	13.9
NatWest	[illegible]	485xd	-16	594	368	8,089	4.8	13.3
Ottoman FFr		£30¼	—	£38	£23¾	151.2	5.0	8.9
Ryl Bk Scotland	[illegible]	462	-12	528	207	3,597	3.0	20.4
Sakura Y		£13	+	£11	£5¾	32,412	0.5	61.1
Sanwa Y		£14	—	£16	£7¼	41,236	0.4	–
Standard Chartd	[illegible]	1159	-58	1437	578	2,761	2.2	–
7 3/8pc Pf		96¾xd	-1½	108½	94	96.8	9.5	–
Sumitomo Y		£14	+	£16¾	£8	44,043	0.4	30.2
[illegible]								

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OIL, INTEGRATED - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt CapCm	Yld Gr's	P/E
Anglo Am Ind		£17¼	+¼	£19½	£7½	1,090	4.0	14.6
Barlow		£3½	—	£5⅝	£3½	773.2	8.3	7.2
Gold Fields SA R		£13⅞xd	-⅛	£18	£7¼	1,286	3.0	22.6
MK Props.	s	65	-2	87	68	3.54	10.1	38.2
BASOL	♥	314	-3	337	215	1,779	4.9	-
SA Brews		£11¾	-⅛	£15½	£7½	6,368	2.3	19.4
Tiger Oats		713	—	838	513	1,071	2.3	15.1
Tongaat-Hulett	†	471	—	522	212	352.6	3.2	13.1

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⌽ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ⚘ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ∥ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on BMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xs ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 770 0770 (open 24 hours including weekends) or fax 081 770 3822, *quoting the code FT7351. [If calling from outside UK, dial +44 81 770 0770 or fax +44 81 770 3822]* Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the *FT Cityline service*. See Monday's share price pages for details.

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
T.U. Fund Managers Limited (1200)H						
NLA Tower, Addiscombe Road, Croydon					081-686 4355	
T.U. British	5	343.1	348.7	367.0	-2.8	2.43
T.U. European		53.41	53.73	56.28	-0.32	2.00
Templeton Unit Trust Managers Ltd (1200)F						
20 Castle Terrace, Edinburgh EH1 2EH					031-469 4000	
Global Growth Acc	6	228.93	227.30	242.90	+0.36	1.47
Global Growth Inc	6	205.89	208.72	220.58	+0.30	1.47
Global Balanced Acc	6	200.75	200.88	214.84	+0.25	2.86
Global Balanced Inc	6	175.37	175.46	187.69	+0.21	2.86
Value Tst Acc	6	138.10	138.10	145.59	-0.17	1.43
Value Tst Inc	6	124.77	124.77	133.44	-0.16	1.43
Thornton Unit Managers Ltd (1200)F						
33 Queen Street, London EC4R 1AX					071-246 3000	
Dealing 071-246 3001						
American Smllr Cos	5	69.10	69.10	73.77	+0.04	0.00
(Accum Units)	5	71.33	71.33	76.08	+0.03	0.00
Dragon Europe Gr	5	42.48	42.48	44.65	+0.05	0.49
(Accum Units)	5	61.43	61.43	64.50	+0.09	0.49
European	5	278.38	278.10	294.76	-1.80	1.10
(Accum Units)	5	278.95	278.98	295.85	-0.80	1.10
Exempt	7½	559.00	559.00	583.92	+0.34	3.28
(Accum Units)	7½	1812.90	1812.90	1891.71	+1.00	3.28
Income Growth	5	50.21	50.21	53.41	-0.01	
Intl Growth	5	112.55	112.55	119.96	-0.37	0.98
(Accum Units)	5	122.29	122.29	130.34	-0.40	0.98
Japan Tst	5	94.81	94.81	101.13	+0.24	0.00
(Accum Units)	5	94.81	94.81	101.13	+0.24	0.00
Little Dragons	5	108.98	108.98	116.22	-2.31	0.40
(Accum Units)	5	112.17	112.17	119.64	-2.38	0.40
Nth Amer Smllr	5	231.43	231.43	246.80	+0.39	0.84
(Accum Units)	5	287.40	287.40	305.74	+0.33	0.64
Oriental Income	5	51.71	51.71	55.15	-0.54	4.49
(Accum Units)	5	68.03	68.03	72.50	-0.69	4.49
Preference	5½	130.98	130.98	138.34	+0.05	7.82
(Accum Units)	5½	635.47	635.47	676.09	+0.25	7.82
Tiger	5	304.17	304.17	324.44	-4.00	0.49
(Accum Units)	5	319.56	319.56	340.85	-4.20	0.49
UK Blue Chip	5	65.96	65.96	70.36	+0.14	2.01
(Accum Units)	5	69.37	69.37	74.12	+0.14	2.01
UK Growth	5½	640.41	640.41	674.90	+0.94	1.86
(Accum Units)	5½	1190.73	1190.73	1273.19	+2.08	1.86
UK High Yield	5½	112.08	112.08	118.76	+0.17	3.71
(Accum Units)	5½	349.82	349.82	371.93	+0.54	3.71
UK Recovery	5½	289.41	289.41	307.88	+1.37	1.82
(Accum Units)	5½	527.50	527.50	563.17	+2.50	1.82
UK Smllr Cos	5	107.94	111.24	118.97	+0.39	1.68
(Accum Units)	5	128.47	130.83	139.82	+0.38	1.68
UK Smaller Cos Div	5½	110.44	110.44	117.48	-0.50	4.13
(Accum Units)	5½	164.74	164.74	165.51	-0.83	4.15
Waverley Unit Tst Mngmt Ltd (1600)F						
13 Charlotte Sq, Edinburgh					031-225 1551	
Australian Gold	5	34.86	34.86	37.08	+1.78	–
Pacific Basin	6	43.13	43.13	45.88	-0.30	0.6
[illegible]						

	Bid Price	Offer Price	+ or -	Yield Gross
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth			0202 292373	
Prop. Ser. 1	275.7	290.3		–
Equity Ser. 1	177.5	186.8	+0.3	–
Prop. Acc. Ser 2	503.5	530.1		–
Equity Ser 2	230.3	242.5	+0.4	–
Selective Acs. Ser 2	490.1	515.9	+1.0	–
Prop. Ser. 4	392.0	412.7		–
Equity Ser. 4	218.9	230.5	+0.3	–
Man. Ser. 4	687.0	723.2	+3.3	–
Fixed Int. Ser. 4	352.3	370.8	+0.6	–
Indexed Inv. Ser. 4	212.7	223.9	+0.9	0
American Ser. 4	522.5	550.0	+3.0	–
Japan Ser 4	388.1	408.5	+1.6	–
European Ser 4	167.3	176.2		–
High Inc. Ser. 4	686.4	722.6	+2.7	–
Money Ser. 4	320.9	337.8		0.0
Intl Ser. 4	198.1	208.6	+1.1	–
Custodian Ser. 4	173.2	182.4	+0.3	–
Asian Pacific	222.0	234.6	-2.0	–
Ethical	142.5	150.0	+0.1	–
Protected Growth	109.4	115.2	+0.2	–
Pension Funds				
Property	762.3	802.4		–
Equity	1751.2	1843.4	+2.4	–
Selective	557.6	587.0	+1.4	–
Managed	1489.9	1568.4	+5.4	–
Security	700.3	737.2		–
Fixed Int.	451.3	475.1	+1.1	–
Indexed	240.2	252.8	+1.1	–
American	497.9	524.2	+3.4	–
Japan	441.4	464.7	+2.3	–
European	260.9	274.7		–
High Income	210.9	222.0	+1.0	–
Ethical	216.6	228.0	+0.3	–
International	395.9	416.8	+3.2	–
Protected Growth	123.6	130.2	+0.3	0
Asian Pacific	94.1	99.1	-0.7	–
Abbey National Life Plc				
287 St Vincent Street, Glasgow			041 305 6000	
Managed	117.3	123.5	-0.5	–
UK Equity	117.5	123.7	-0.5	–
International	122.4	128.9	-0.8	–
Deposit	99.90	105.2		–
Pension Managed	119.7	126.0	-0.6	–
Pension UK Equity	118.6	124.9	-0.7	–
Pension International	128.5	135.4	-0.9	–
Pension Deposit	101.7	107.1		–
Access Life Assurance Ltd				
The Grange, Egham, Surrey TW20 9AT			0784 470505	
Fixed Interest	195.04	205.83	–	–
Index Linked Glts	193.47	203.66	–	–
[illegible]				

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Royal Liver Assurance - Contd.				
Tax Exempt				
Tax Exempt Mgd	70.1	73.6	—	—
S–E–Banken Life Assurance Co Ltd				
149–151 High Rd, Chadwell Hth RM6 6PJ 081-597 7566				
Managed Fund	160.0	168.5	+1.2	–
Pension Mngd Fd	160.0	160.2	+1.6	–
Save & Prosper Group (z)				
16–22 Western Rd, Romford RM1 3LB 0708-766966				
Bal Inv Fd	781.6	827.1	+3.4	2.13
Coverdale AG Bond Fd	165.4	175.1	-0.3	–
Deposit Fd†	360.6	381.8	—	5.70
Directors' Portfolio	86.8	91.9	+0.5	–
Equity Pens Fd	197.8	209.4	+1.6	–
European Mngd Fd	68.8	72.8	+0.1	–
Gilt Fd	529.6	560.5	+3.7	7.52
Gilt Pens Fd	145.7	154.2	+1.0	7.29
Global Equity Fd	247.7	262.2	+0.4	–
Global Eq Pens Fd	246.7	261.1	+0.1	–
High Inc Pens Fd††	132.5	140.3	—	5.47
Japanese Mngd Fd	97.9	103.7	+0.6	–
Managed Income Fd	57.1	54.1	+0.2	6.82
Mgn Pens Fd	204.6	216.6	+0.6	1.89
North American Mngd Fd	72.0	76.2	—	–
Pacific Mngd Fd	90.0	95.3	-0.1	–
Property Fd*	100.4	106.3	—	5.87
Prop Pens Fd*	131.4	139.1	—	6.56
Trenton Lmited Managed	237.8	251.8	+0.7	–
UK Capital Portfolio	64.6	68.4	+0.4	–
UK Managed Gth Fd	62.4	66.1	+0.4	–

††Weekly dealings. *Fortnightly dealings

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable				
150 St Vincent St, Glasgow 041-248 2323				
Life Funds (First Series)				
Managed	475.3	500.4	-3.80	–
Equity	594.1	625.4	-6.60	–
Property	286.8	301.9	—	–
International	478.7	503.9	-1.70	–
Japanese	127.9	134.7	+0.30	–
Asia Pacific	199.7	210.3	-2.40	–
European	127.7	134.5	-2.30	–
American	162.8	171.4	+1.40	–
Fixed Interest	381.9	402.1	-2.10	–
Index-Linked Gilt	200.3	210.9	+1.10	–
Cash	224.8	236.5	—	–
Life Funds (Second Series)				
Managed	132.8	139.8	-1.10	–
Equity	128.2	135.0	-1.50	–
Property	130.9	127.3	—	–
International	148.5	156.4	-0.90	–
Japanese	128.7	135.5	+0.30	–
Asia Pacific	196.6	207.0	-2.40	–
European	127.2	133.9	-2.20	–
American	159.8	168.1	+1.40	–

	Bid Price	Offer Price	+ or -	Yield Gross
Skandia Life Assurance Co Ltd - Contd.				
Pension Managed Funds				
Skandia Cautious	180.6	189.2	+0.8	–
Skandia Balanced	610.0	642.1	+2.3	–
Skandia Global Selection	140.2	147.5	—	–
Skandia Deposit	449.0	472.6	—	–
Abtrust Managed	147.3	155.0	+0.1	–
Baring Managed	167.9	176.7	+0.1	–
BZW Managed	132.6	139.4	-0.7	–
CU Managed	302.2	318.1	+2.8	–
Fidelity Managed	243.8	256.6	+0.8	–
Fleming Managed Inv Tst	163.2	171.7	+0.9	–
F & C Investment Trust	216.2	227.5	+3.1	–
Framlington Managed	378.7	398.6	+0.3	–
Gartmore Managed	406.0	427.3	+2.4	–
Henderson Managed	367.3	386.6	+2.4	–
Hill Samuel Managed	322.9	326.2	-1.9	–
Invesco Managed	289.8	304.8	+1.8	–
Jardine Capel Core Mngd	163.4	172.0	+0.8	–
Kleinwort Benson Mngd	163.9	162.0	+0.7	–
Martin Currie Mngd	183.1	192.7	+1.1	–
Morgan Grenfell Mngd	188.4	198.2	+0.4	–
Murray Johnstone Mngd	169.1	177.9	+0.8	–
Perpetual Managed	279.3	294.0	+0.8	–
Schroder Managed	156.9	164.2	+1.2	–
Standard Life Assurance Company				
3 George St, Edinburgh EH2 2XZ 031-225 2552				
Managed	719.1	757.0	-2.3	–
Equity	1022.3	1076.2	-3.6	–
Fixed Interest	407.1	428.8	-0.8	–
Index-Linked	210.4	221.5	+0.7	–
International	640.4	674.2	-2.4	–
North American	147.2	155.0	—	–
Far East	189.3	199.0	-0.4	–
European	171.2	180.3	-1.3	–
Property	343.4	361.6	+0.6	–
Cash	262.7	276.6	—	–
Pension Managed	1011.8	1065.1	-4.6	–
Pension Stock Exchange	228.9	241.0	-1.1	–
Pension Equity	1479.1	1557.0	-7.4	–
Pension Fxd Int	551.0	580.1	-0.8	–
Pension Index-Linked	290.7	306.1	+0.8	–
Pension International	906.5	954.3	-4.8	–
Pension Property	444.6	468.0	+0.1	–
Pension Cash	406.2	427.8	+0.1	–
Pension Nth American	185.1	194.9	+0.3	–
Pension Far East	147.9	155.7	-0.7	–
Pension European	205.2	216.0	-2.0	–
Sun Alliance Group				
St Mark's Court Horsham 0403 232323				
Life Funds				
Managed	679.5	715.3	-0.8	–
Deposit	289.0	304.3	—	–

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

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Foreign & Colonial Mngmt (Jersey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
US$ Cash	$11.211		+0.001	–
Sterling Cash	£13.395		+0.005	–
US$ Bonds	$18.634		–0.009	–
Multicurrency Bonds	$22.418		–0.093	–
Sterling Bonds	£17.127		–0.35	–
D Mark Bonds	DM12.658		–0.020	–
European Bonds	Ecu14.458		–0.078	–
UK Equities	£13.793		–0.048	–
US Equities	$18.629		–0.056	–
Japanese Equities	Y863.3		+7.2	–
Cont Euro Equities	DM20.605		–0.285	–
UK Negative Equities	£10.759		+0.053	–
US Negative Eq	$10.149		+0.033	–
Japanese Negative Eq	Y798.1		–9.8	–
Cont Eur Negative Eq				–
UK Geared Equities	£10.270		–0.035	–
US Geared Equities	$10.984		–0.071	–
Japanese Geared Eqs	Y1025.4		+22.0	–
Cont Euro Geared Eqs	DM15.022		–0.442	–
Gold	$11.083		–0.007	–
Protected Capital Plus A	£11.331		–0.028	–
Protected Capital Plus B	£10.997		–0.087	–

Greece Fund Ltd

NAV Feb 24	$23.23		–	–

John Govett Management (Jersey) Ltd

INVESCO International Limited

All Funds deal daily except where indicated.

Commercial Union Luxembourg SA - Contd.

Creswale Group (u)

DB Investment Management SA

Den norske Bank

Dolphin Intl Investments (u) SICAV

Dresdnerbank Asset Mngmt SA (u)

E.T. Investment Management Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Xiphias International Investment Fd Ltd

Xiphias Int US$ Acc	$1.4891		–	–
Xiphias Int ECU Acc	Ecu1.3834		–	–
Xiphias Int ECU Dis	Ecu1.3718		–	–

Yamaichi Capital Management (Guernsey) Ltd

Thai Inv Fund	$19.90		–	–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). z Offered price includes all expenses except agent's commission. z Previous day's price. §§ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. $ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar recovers ground

Foreign exchange markets were dominated yesterday by the gyrations of the dollar which recovered from early weakness on the back of some strong economic data, *writes Philip Gawith.*

After slipping to a low of DM1.6945 in early European trade, the dollar later rose sharply to touch a high of DM1.7135 before closing in London at DM1.709.

The catalyst for renewed dollar strength - a reversal of recent negative sentiment - was the release of fourth quarter GDP figures, and the February purchasing managers' index (NAPM).

The GDP figure was revised to an annualised 7.5 per cent from an earlier 5.9 per cent estimate, while the price component of the NAPM surged to 67, its highest since October 1990, from 59.8 in January.

These strong growth indicators renewed speculation that the US Federal Reserve may again raise interest rates.

Elsewhere attention was focused on developments in the UK and German money markets. In Germany the repo rate came down by three points to 5.97 per cent, while tight conditions in the UK discount market saw overnight rates rise to 20 per cent at one point.

■ The dollar started European trading at a new low for the year against the D-Mark, after comments from Fed governor Mr Lawrence Lindsey suggested interest rates were unlikely to rise in the short term.

This compounded sentiment which was already bearish on account of the absence of clear investor demand for dollars and concern about the currency's failure to advance recently despite a run of favourable data and events. There was also concern that hedge funds, rumoured to be cash-short, were selling dollars.

These selling pressures gained further impetus when the Bundesbank announced that the repo rate was falling by only 3 basis points. The small increment of the fall was seen as lending support to the D-Mark.

The lunchtime release of the GDP and NAPM figures reversed the trend. The detail was seen as offering a strong indication that the next move in Fed rates would be up.

As Mr Nick Parsons, chief economist at CIBC, commented: "The two components that were strong in January, [commodity prices and employment] and preceded a Fed tightening, were strong in February."

Many observers played down the stronger dollar, saying it was more a correction within a range than a change in sentiment."

Mr Brian Hilliard, senior international economist at SGST, commented: "This is not the making of a lasting dollar rally." He said market reaction to the NAPM was overdone as the price index did not offer any new information.

Clearly the market remains extremely nervous about inflation pressures in the US. Yesterday it chose to focus on the narrowly based price index of the NAPM, while ignoring the fact that the GDP deflator, the broadest available inflation indicator, was unchanged.

The dollar was slightly firmer against the yen, closing at Y104.615 from Y104.150 on Monday. The Bank of Japan's Tankan report confirmed the weak state of the economy, but was no worse than expected.

■ The D-Mark was stronger in Europe, with the small cut in the repo rate seen as indicating that the Bundesbank is likely to be cautious in relaxing policy. The D-Mark closed in London at L989.8 against the Italian lira, up from L988.2 on Monday and was also firmer against the French franc, closing at FFr3.403 from FFr3.399.

This cautious approach was not well received in the futures market. The price of the December 3-month interest rate future on Liffe fell by 14 basis points.

Traders said the D-Mark also gained support from weakness in the Italian bond market which spread to other European markets. Sellers of bonds, wanting to put their money in cash, were reported to have bought D-Marks, as German interest rates are quite favourable.

In Europe the Belgian national bank cut its key central rate to 6.25 per cent from 6.40 per cent. Belgium last cut rates on Friday.

■ Yesterday was an exceptional day in UK money markets. After forecasting a shortage of £1.7bn, the Bank of England provided no assistance in its early round, and only £22m at midday. This saw the overnight rate rise to 30 per cent at 2 o'clock.

Only £338m assistance was provided during the afternoon round, with the bulk of funds - £995m - being offered through late assistance.

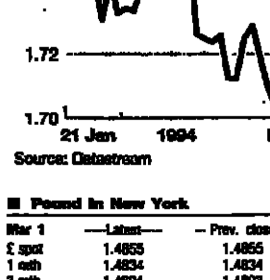
The pattern of the day's events suggested that most of the bills had been held by the large clearing banks. "The distribution of shortage around the market did not coincide with distribution of bills to relieve it," said one observer.

By not offering bills in the early rounds, those who held the bills were able to drive up the cost of borrowing for those with a shortage of funds.

Sterling finished slightly higher against the D-Mark, at DM2.5395 from DM2.5366. It was barely changed against the dollar at $1.486.

Dollar

Against the D-Mark (DM per $)



Source: Datastream

■ **Pound in New York**

Mar 1	Latest	Prev. close
£ spot	1.4855	1.4856
1 mth	1.4834	1.4834
3 mth	1.4804	1.4803
1 yr	1.4737	1.4727

■ **OTHER CURRENCIES**

Mar 1	£	$
Hungary	153.748 - 153.927	103.500 - 103.550
Iran	2598.00 - 2604.00	1748.00 - 1750.00
Kuwait	0.4412 - 0.4422	0.2970 - 0.2975
Poland	32578.5 - 32600.4	21931.0 - 21931.0
Russia	2320.25 - 2321.25	1586.50 - 1587.50
U.A.E.	5.4481 - 5.4593	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Mar 1		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.8858	-0.0142	881 - 086	17.9086	17.7857	17.8951	0.3	17.8895	0.2	-	-	113.3
Belgium	(BFr)	52.2783	+0.0567	406 - 159	52.3159	52.0480	52.3333	-1.3	52.4383	-1.2	52.7633	-0.9	114.4
Denmark	(DKr)	9.9536	+0.0212	487 - 584	9.9651	9.9059	9.9637	-1.2	9.9845	-1.2	10.02	-0.7	114.3
Finland	(FM)	8.2385	+0.018	283 - 487	8.2570	8.2120	-	-	-	-	-	-	81.7
France	(FFr)	8.6414	+0.017	363 - 465	8.6465	8.5944	8.6521	-1.5	8.668	-1.1	8.693	-0.6	108.2
Germany	(DM)	2.5395	+0.0029	383 - 407	2.5423	2.5272	2.5424	-1.4	2.5453	-0.9	2.5474	-0.3	122.7
Greece	(Dr)	368.305	+0.569	958 - 652	369.612	365.655	-	-	-	-	-	-	-
Ireland	(I£)	1.0421	+0.0023	406 - 435	1.0435	1.0355	1.0427	-0.7	1.0444	-0.9	1.0506	-0.8	102.7
Italy	(L)	2513.57	+8.59	198 - 516	2516.51	2501.65	2519.87	-3.0	2532.17	-3.0	2581.02	-2.7	75.2
Luxembourg	(LFr)	52.2783	+0.0567	406 - 159	52.3159	52.0480	52.3333	-1.3	52.4383	-1.2	52.7633	-0.9	114.4
Netherlands	(Fl)	2.8523	+0.003	510 - 536	2.8536	2.8401	2.8534	-0.5	2.8539	-0.2	2.8476	0.2	118.0
Norway	(NKr)	11.0284	+0.0244	232 - 335	11.0566	10.9683	11.0227	0.6	11.0353	-0.3	11.0264	0.0	84.5
Portugal	(Es)	259.307	+1.395	071 - 543	259.543	257.822	260.282	-4.5	262.227	-4.5	-	-	-
Spain	(Pta)	207.889	+0.938	524 - 813	207.813	206.632	208.319	-3.8	209.519	-3.6	213.739	-2.9	86.0
Sweden	(SKr)	11.9237	+0.0592	122 - 351	11.9509	11.8445	11.9432	-2.0	11.9802	-1.9	12.1032	-1.5	75.6
Switzerland	(SFr)	2.1354	+0.0129	339 - 368	2.1391	2.1182	2.1337	0.9	2.1296	1.1	2.1093	1.2	118.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.7
Ecu	-	1.3162	+0.0046	152 - 172	1.3172	1.3101	1.3176	-1.2	1.32	-1.2	1.3261	-0.7	-
SDR	-	0.941022	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4848	-0.0011	842 - 853	1.4913	1.4837	-	-	-	-	-	-	-
Brazil	(Cr)	961.844	+14.856	505 - 182	966.000	946.000	-	-	-	-	-	-	-
Canada	(C$)	2.0102	+0.0006	091 - 112	2.0176	2.0034	2.0079	1.3	2.0042	1.2	1.9969	0.7	89.1
Mexico	(New Peso)	4.7225	-0.0258	136 - 315	4.7403	4.7135	-	-	-	-	-	-	-
USA	($)	1.4860	-0.0001	855 - 865	1.4930	1.4840	1.4839	1.7	1.4808	1.4	1.473	0.9	68.2
Pacific/Middle East/Africa													
Australia	(A$)	2.0783	-0.0068	770 - 796	2.0947	2.0720	2.0768	0.9	2.0745	0.7	2.0725	0.3	-
Hong Kong	(HK$)	11.4838	+0.0014	792 - 884	11.5372	11.4691	11.4708	1.4	11.4654	0.6	11.4163	0.6	-
India	(Rs)	46.6158	+0.0043	964 - 352	46.8320	46.5984	-	-	-	-	-	-	-
Japan	(Y)	155.458	+0.68	354 - 562	156.120	155.170	155.083	2.9	154.343	2.9	150.973	2.9	187.0
Malaysia	(M$)	4.0471	-0.0055	420 - 522	4.0625	4.0420	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5788	-0.0033	763 - 812	2.5925	2.5762	2.5817	-1.3	2.586	-1.1	2.5946	-0.6	-
Philippines	(Peso)	41.1623	-0.0028	998 - 247	41.5160	40.9998	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5729	-0.0002	706 - 751	5.5988	5.5656	-	-	-	-	-	-	-
Singapore	(S$)	2.3516	+0.002	501 - 531	2.3596	2.3486	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1394	-0.02	354 - 433	5.1593	5.1335	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9805	-0.0228	707 - 903	7.0001	6.9661	-	-	-	-	-	-	-
South Korea	(Won)	1200.47	-0.08	999 - 094	1206.05	1198.92	-	-	-	-	-	-	-
Taiwan	(T$)	39.3780	+0.0196	509 - 071	39.5500	39.3400	-	-	-	-	-	-	-
Thailand	(Bt)	37.6107	-0.0174	832 - 382	37.8030	37.5832	-	-	-	-	-	-	-

†SDR rate for Feb.28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	12.0450	-0.0088	425 - 475	12.0475	11.9265	12.0637	-1.9	12.0935	-1.6	12.1385	-0.8	102.9
Belgium	(BFr)	35.1805	+0.0405	670 - 940	35.1940	34.9250	35.2655	-2.9	35.4205	-2.7	35.8805	-1.9	104.1
Denmark	(DKr)	6.6982	+0.0147	972 - 992	6.6992	6.6600	6.7137	-2.8	6.7422	-2.6	6.8094	-1.7	103.3
Finland	(FM)	5.5441	+0.0125	391 - 491	5.5491	5.5152	5.5486	-1.0	5.5581	-1.0	5.5841	-0.7	76.5
France	(FFr)	5.8152	+0.0118	137 - 167	5.8167	5.7730	5.8311	-3.3	5.8525	-2.6	5.9029	-1.5	104.7
Germany	(D)	1.7090	+0.0021	087 - 092	1.7092	1.6956	1.7135	-3.1	1.719	-2.3	1.7299	-1.2	104.3
Greece	(Dr)	247.850	+0.4	700 - 000	248.830	246.000	251.725	-18.8	258.6	-17.3	287.85	-16.1	71.3
Ireland	(I£)	1.4261	-0.0031	246 - 276	1.4350	1.4246	1.4231	2.6	1.4173	2.6	1.4006	1.8	-
Italy	(L)	1691.50	+4.55	100 - 200	1692.00	1682.75	1697.5	-4.3	1710	-4.4	1754	-3.7	78.0
Luxembourg	(LFr)	35.1805	+0.0405	670 - 940	35.1940	34.9250	35.2655	-2.9	35.4205	-2.7	35.8805	-1.9	104.1
Netherlands	(Fl)	1.9195	+0.0022	192 - 197	1.9197	1.9043	1.9227	-2.0	1.9277	-1.7	1.9355	-0.8	103.4
Norway	(NKr)	7.4215	+0.0169	205 - 225	7.4460	7.3740	7.43	-1.4	7.4477	-1.4	7.4765	-0.7	94.7
Portugal	(Es)	174.500	+0.95	400 - 600	174.600	173.300	175.365	-5.9	177.125	-6.0	183.7	-5.3	93.7
Spain	(Pta)	139.750	+0.64	700 - 800	139.800	138.880	140.345	-5.1	141.49	-5.0	145.25	-3.9	80.6
Sweden	(SKr)	8.0240	+0.0383	190 - 290	8.0290	7.9633	8.048	-3.6	8.0915	-3.4	8.2165	-2.4	81.3
Switzerland	(SFr)	1.4370	+0.0088	365 - 375	1.4375	1.4257	1.4379	-0.8	1.4385	-0.5	1.4335	0.2	105.2
UK	(£)	1.4860	-0.0001	855 - 865	1.4930	1.4840	1.4839	1.7	1.4808	1.4	1.473	0.9	89.3
Ecu	-	1.1290	-0.0041	285 - 295	1.1382	1.1285	1.1264	2.8	1.1217	2.6	1.1108	1.6	-
SDR	-	1.39930	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9992	-0.0007	991 - 992	0.9992	0.9991	-	-	-	-	-	-	-
Brazil	(Cr)	647.270	+10.04	260 - 280	647.280	647.250	-	-	-	-	-	-	-
Canada	(C$)	1.3528	+0.0005	525 - 530	1.3544	1.3482	1.3531	-0.3	1.3537	-0.3	1.3566	-0.3	85.4
Mexico	(New Peso)	3.1780	-0.017	730 - 830	3.1830	3.1650	3.1796	-0.6	3.1824	-0.6	3.193	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3986	-0.0044	982 - 990	1.4000	1.3947	1.3996	-0.9	1.4025	-1.1	1.41	-0.8	87.3
Hong Kong	(HK$)	7.7280	+0.0015	275 - 285	7.7290	7.7263	7.7287	-0.1	7.7327	-0.2	7.7615	-0.3	-
India	(Rs)	31.3700	+0.005	675 - 725	31.3725	31.0010	31.435	-2.5	31.57	-2.6	-	-	-
Japan	(Y)	104.615	+0.465	580 - 650	105.100	104.290	104.51	1.2	104.235	1.5	102.59	1.9	147.8
Malaysia	(M$)	2.7235	-0.0035	210 - 260	2.7260	2.7225	2.7175	2.6	2.701	3.3	2.7735	-1.8	-
New Zealand	(NZ$)	1.7354	-0.0021	343 - 364	1.7370	1.7340	1.737	-1.1	1.7415	-1.4	1.7557	-1.2	-
Philippines	(Peso)	27.7000	-	000 - 000	27.8500	27.5500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	+0.0001	500 - 505	3.7505	3.7500	3.7527	-0.8	3.7571	-0.7	3.7758	-0.7	-
Singapore	(S$)	1.5825	+0.0015	820 - 830	1.5830	1.5800	1.5825	0.0	1.5825	0.0	1.606	-1.5	-
S Africa (Com.)	(R)	3.4585	-0.0133	570 - 600	3.4745	3.4460	3.4728	-5.0	3.5018	-5.0	3.599	-4.1	-
S Africa (Fin.)	(R)	4.6975	-0.015	925 - 025	4.7100	4.6800	4.7285	-7.9	4.7925	-8.1	-	-	-
South Korea	(Won)	807.850	-	800 - 900	809.200	807.800	810.85	-4.5	814.35	-3.2	832.85	-3.1	-
Taiwan	(T$)	26.5000	+0.015	900 - 100	26.5100	26.4800	26.6025	-4.6	26.75	-3.8	-	-	-
Thailand	(Bt)	25.3100	-0.01	000 - 200	25.3200	25.3000	25.38	-3.3	25.52	-3.3	25.66	-1.4	-

†SDR rate for Feb.28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Feb.28. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar.1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.04	16.53	4.857	1.993	4807	5.455	21.10	496.0	397.3	22.80	4.084	1.913	3.845	2.842	297.2	2.517
Denmark	(DKr)	52.52	10	8.681	2.551	1.047	2525	2.865	11.08	260.5	208.7	11.98	2.145	1.005	2.019	1.493	156.1	1.322
France	(FFr)	60.50	11.52	10	2.938	1.206	2908	3.301	12.76	300.1	240.4	13.79	2.471	1.157	2.326	1.720	179.8	1.523
Germany	(DM)	20.59	3.920	3.403	1	0.410	989.8	1.123	4.344	102.1	81.80	4.695	0.841	0.394	0.792	0.585	61.21	0.518
Ireland	(I£)	50.17	9.553	8.293	2.437	1	2412	2.737	10.58	248.8	199.3	11.44	2.049	0.960	1.929	1.426	149.1	1.263
Italy	(L)	2.080	0.396	0.344	0.101	0.041	100.	0.113	0.439	10.32	8.265	0.474	0.085	0.040	0.080	0.059	6.184	0.052
Netherlands	(Fl)	18.33	3.490	3.030	0.890	0.365	881.1	1	3.867	90.92	72.83	4.180	0.749	0.351	0.705	0.521	54.49	0.461
Norway	(NKr)	47.40	9.024	7.834	2.302	0.945	2278	2.586	10	235.1	188.3	10.81	1.936	0.907	1.822	1.347	140.9	1.193
Portugal	(Es)	20.16	3.839	3.332	0.979	0.402	969.1	1.100	4.254	100.	80.10	4.597	0.823	0.386	0.775	0.573	59.93	0.508
Spain	(Pta)	25.17	4.792	4.160	1.222	0.502	1210	1.373	5.311	124.8	100.	5.739	1.028	0.481	0.968	0.715	74.82	0.634
Sweden	(SKr)	43.86	8.351	7.249	2.130	0.874	2108	2.393	9.253	217.5	174.2	10	1.791	0.839	1.686	1.247	130.4	1.104
Switzerland	(SFr)	24.49	4.662	4.047	1.189	0.488	1177	1.336	5.166	121.5	97.26	5.583	1	0.468	0.941	0.696	72.79	0.616
UK	(£)	52.28	9.954	8.641	2.539	1.042	2513	2.852	11.03	259.3	207.7	11.92	2.135	1	2.010	1.486	155.4	1.316
Canada	(C$)	26.01	4.952	4.299	1.263	0.518	1250	1.419	5.488	129.0	103.3	5.930	1.062	0.498	1	0.739	77.31	0.655
US	($)	35.18	6.699	5.815	1.709	0.701	1691	1.919	7.423	174.5	139.8	8.022	1.437	0.673	1.353	1	104.6	0.886
Japan	(Y)	336.4	64.06	55.60	16.34	6.705	16171	18.35	70.98	1669	1337	76.71	13.74	6.435	12.93	9.562	1000.	8.468
Ecu		39.73	7.564	6.566	1.929	0.792	1910	2.167	8.381	197.0	157.8	9.058	1.622	0.760	1.527	1.129	118.1	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5862	0.5871	+0.0007	0.5888	0.5853	49,202	119,795
Jun	0.5840	0.5843	+0.0009	0.5858	0.5834	3,011	13,748
Sep	-	0.5825	-	0.5834	-	38	858

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7011	0.6985	-0.0027	0.7011	0.6976	16,384	44,574
Jun	0.7000	0.6980	-0.0029	0.7007	0.6975	2,231	6,651
Sep	0.7005	0.6980	-0.0009	0.7005	0.6980	23	71

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9570	0.9571	+0.0006	0.9589	0.9525	22,658	89,703
Jun	0.9620	0.9607	+0.0007	0.9624	0.9570	1,939	9,289
Sep	0.9650	0.9650	+0.0002	0.9650	0.9650	18	932

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.4848	1.4898	+0.0042	1.4916	1.4830	14,399	37,367
Jun	1.4800	1.4846	+0.0040	1.4870	1.4800	7,066	8,631
Sep	-	1.4800	-	1.4830	-	7	448
Dec	-	1.4780	-	1.4780	-	1	12

EMS EUROPEAN CURRENCY UNIT RATES

Mar 1	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. Ind.
Ireland	0.808628	0.793969	+0.003125	-1.81	4.46	12
Netherlands	2.19672	2.16944	-0.00473	-1.24	3.86	-
Belgium	40.2123	39.7783	-0.0644	-1.08	3.69	8
Germany	1.94964	1.93185	-0.00454	-0.91	3.51	-
France	6.53883	6.57763	-0.00383	0.59	1.98	-5
Denmark	7.43679	7.58227	-0.00182	1.96	0.60	-13
Portugal	192.854	197.523	+0.734	2.42	0.15	-16
Spain	154.250	158.214	+0.638	2.57	0.00	-18
NON ERM MEMBERS						
Greece	264.513	280.079	-0.466	5.88	-3.13	-
Italy	1793.19	1918.28	+12.01	6.98	-4.12	-
UK	0.786749	0.762866	+0.003334	-3.03	5.78	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
1.400	8.70	8.63	8.67	0.02	0.06	0.27
1.425	6.26	6.38	6.58	0.03	0.25	0.61
1.450	3.84	4.32	4.69	0.06	0.68	1.20
1.475	1.78	2.62	3.11	0.40	1.46	2.10
1.500	0.45	1.45	1.97	1.58	2.68	3.36
1.525	0.05	0.70	1.15	3.60	4.42	5.01

Previous day's vol., Calls 25,465 Puts 14,497 . Prev. day's open int., Calls 592,473 Puts 515,141

WORLD INTEREST RATES

MONEY RATES

March 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	-	6¼	6⅛	6⅛	6¼	7.40	5.00	-
week ago	-	6¼	6¼	6¼	6⅛	7.40	5.25	-
France	6⅛	6⅛	6⅛	6⅛	5⅞	6.10	-	7.75
week ago	6⅛	6⅛	6⅛	6⅛	5¾	6.20	-	7.75
Germany	6.13	6.05	5.85	5.65	5.42	6.75	5.25	6.00
week ago	6.40	6.05	5.85	5.65	5.37	6.75	5.25	6.00
Ireland	6⅛	6¼	6⅛	6⅛	6⅛	-	-	6.75
week ago	5⅞	6⅛	5⅞	5⅞	5⅞	-	-	6.75
Italy	8⅛	8⅛	8⅛	8¼	8⅛	-	8.00	8.92
week ago	8⅛	8⅛	8⅛	8⅛	8⅛	-	8.00	8.92
Netherlands	5.61	5.40	5.30	5.20	5.08	-	5.25	-
week ago	5.61	5.49	5.27	5.15	5.00	-	5.25	-
Switzerland	4¼	4¼	4⅛	4⅛	4	6.625	4.00	-
week ago	4¼	4¼	4⅛	4⅛	3⅞	6.625	4.00	-
US	3⅛	3⅛	3⅝	3⅞	4¼	-	3.00	-
week ago	3⅛	3⅛	3⅜	3¾	4⅛	-	3.00	-
Japan	2⅛	2¼	2⅛	2⅛	2⅛	-	1.75	-
week ago	2⅛	2¼	2¼	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3⅝	3⅞	3⅞	4⅛	-	-	-
week ago	-	3⅜	3⅝	3⅝	4⅛	-	-	-
US Dollar CDs	-	3.45	3.57	3.85	4.21	-	-	-
week ago	-	3.45	3.44	3.67	4.03	-	-	-
SDR Linked Ds	-	3⅛	3⅛	3¾	4	-	-	-
week ago	-	3⅛	3¾	3¾	3¾	-	-	-

ECU Linked Ds mid rates: 1 mth 6⅛; 3 mths 6¼; 6 mths 6⅛; 1 year 5⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6½ - 6⅜	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6¼	6⅛ - 6⅛	6¼ - 6⅛
Danish Krone	6¼ - 5¾	6½ - 6	6½ - 6	6⅜ - 6⅛	6⅛ - 5⅞	5⅞ - 5⅝
D-Mark	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6	5⅞ - 5⅞	5¾ - 5⅝	5⅛ - 5⅛
Dutch Guilder	5⅝ - 5½	5⅛ - 5⅛	5½ - 5⅜	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5
French Franc	6⅛ - 6⅛	6⅞ - 6⅛	6⅞ - 6¾	6¼ - 6⅛	6⅛ - 6	5⅞ - 5¾
Portuguese Esc.	10 - 9¾	10 - 9¾	10 - 9¾	9¾ - 9⅝	9¾ - 9½	9⅝ - 9⅜
Spanish Peseta	8⅞ - 8⅛	8⅞ - 8⅛	8⅛ - 8⅝	8⅝ - 8⅜	8½ - 8⅜	8¼ - 8⅛
Sterling	5½ - 5⅛	5¼ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5¼ - 5⅛
Swiss Franc	4½ - 4⅛	4½ - 4⅜	4⅛ - 4¼	4⅛ - 4⅛	4⅛ - 3⅞	3⅞ - 3⅞
Can. Dollar	3⅛ - 3⅛	3⅛ - 3⅛	3⅞ - 3⅞	3⅞ - 3⅞	4⅛ - 4⅛	4⅛ - 4⅛
US Dollar	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅞ - 3⅞	3⅞ - 3⅞	4⅛ - 4⅛
Italian Lira	9 - 7½	8¼ - 7¾	8⅛ - 7⅞	8⅛ - 7⅞	8⅛ - 7⅞	8½ - 8⅛
Yen	2¼ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅞ - 2⅞
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.89	93.86	-0.03	93.92	93.83	29,110	87,439
Jun	94.33	94.26	-0.07	94.37	94.22	32,320	73,103
Sep	94.55	94.48	-0.07	94.58	94.44	22,009	42,699
Dec	94.66	94.60	-0.07	94.69	94.55	19,382	28,420

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.25	96.19	-0.05	96.25	96.19	774	5665
Jun	95.87	95.77	-0.08	95.87	95.81	421	4335
Sep	95.55	95.44	-0.10	95.56	95.54	91	2230
Dec	95.17	95.04	-0.11	95.17	95.15	53	1476

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.21	94.15	+0.78	94.21	94.14	33718	175329
Jun	94.62	94.53	+1.06	94.64	94.52	67153	227476
Sep	94.86	94.73	-0.13	94.86	94.72	44738	169779
Dec	94.94	94.83	-0.11	94.94	94.80	28393	143859

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	91.58	91.49	-0.17	91.60	91.44	4989	35566
Jun	91.88	91.75	-0.20	91.88	91.65	16739	58891
Sep	92.10	91.97	-0.19	92.10	91.92	2187	23303
Dec	92.18	92.09	-0.17	92.18	92.02	9672	23909

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.93	95.94	-0.01	95.94	95.90	3912	25876
Jun	96.12	96.09	-0.02	96.12	96.07	3102	30700
Sep	96.20	96.16	-0.04	96.20	96.15	1126	7404
Dec	96.16	96.15	-0.05	96.16	96.12	70	3708

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.75	93.67	-0.07	93.76	93.67	598	11982
Jun	94.15	94.05	-0.09	94.15	94.04	1443	11078
Sep	94.35	94.28	-0.07	94.35	94.27	227	9640
Dec	94.46	94.38	-0.08	94.46	94.41	555	6577

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.22	96.24	+0.02	96.25	96.22	53,171	316,749
Jun	95.84	95.85	+0.01	95.87	95.83	107,110	434,282
Sep	95.53	95.54	-	95.56	95.51	78,648	352,773

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.61	96.60	-	96.61	96.60	2,584	8,312
Jun	96.26	96.26	-	96.26	96.24	2,045	25,157
Sep	-	95.97	-	-	95.96	1,014	5,212

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9400	0.17	0.54	0.77	0.02	0.01	0.04
9425	0.03	0.32	0.55	0.13	0.04	0.07
9450	0	0.16	0.37	0.35	0.13	0.14

Est. vol. total, Calls 7990 Puts 10929. Previous day's open int., Calls 295246 Puts 180486

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9575	0.20	0.37	0.48	0.01	0.03	0.07
9600	0.04	0.17	0.30	0.10	0.08	0.14
9625	0.01	0.06	0.16	0.32	0.22	0.25

Est. vol. total Calls 0 Puts 0 Previous day's open int., Calls 2219 Puts 3643

UK INTEREST RATES

LONDON MONEY RATES

Mar 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	19 - 4¾	5¼ - 5	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛
Sterling CDs	-	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛	5⅛ - 5⅛
Treasury Bills	-	-	4⅞ - 4⅞	4⅞ - 4⅞	-	-
Bank Bills	-	-	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	-
Local authority deps.	5⅛ - 5⅞	5⅛ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5⅛ - 5⅛
Discount market deps.	13 - 4⅞	5⅛ - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3⅞	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.7129pc. ECGD fixed rate Stlg. Export Finance. Make up day February 28, 1994. Agreed rate for period Mar 26, 1994 to Apr 25, 1994, Schemes II & III 6.60pc. Reference rate for period Feb 1, 1994 to Feb 28, 1994, Schemes IV & V 5.285pc. Finance House Base Rate 5½pc from Mar 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.82	94.81	+2.58	94.84	94.81	6247	66147
Jun	94.92	94.87	+2.54	94.93	94.85	16985	111861
Sep	94.78	94.74	-0.05	94.81	94.73	15486	64384
Dec	94.63	94.57	-0.07	94.66	94.53	12868	100890

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9475	0.09	0.20	0.22	0.03	0.08	0.23
9500	0.01	0.08	0.12	0.20	0.21	0.38
9525	0	0.02	0.05	0.44	0.40	0.56

Est. vol. total, Calls 7886 Puts 6831. Previous day's open int., Calls 192052 Puts 169367

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 1 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Mar 1 / Frs.)

[illegible]

DENMARK (Mar 1 / Kr)

[illegible]

FINLAND (Mar 1 / Mks)

[illegible]

FRANCE (Mar 1 / Frs.)

[illegible]

GERMANY (Mar 1 / Dm.)

[illegible]

ITALY (Mar 1 / Lire)

[illegible]

NETHERLANDS (Mar 1 / Fls.)

[illegible]

NORWAY (Mar 1 / Kroner)

[illegible]

SPAIN (Mar 1 / Pts.)

[illegible]

SWEDEN (Mar 1 / Kronor)

[illegible]

SWITZERLAND (Mar 1 / Frs.)

[illegible]

PACIFIC

JAPAN (Mar 1 / Yen)

[illegible]

Secom	7,040	−10	7,330	5,380	0.6	—
SegaEn	7,540	+20	11,500	7,010	—	—
SeibuR	4,390	+190	4,850	2,100	—	—
SeinoT	1,800	+20	1,980	1,240	0.6	—
SeiyoF	1,130	+10	1,310	800	—	—
Seiyu	1,470	+10	1,510	1,080	—	—
SekChm	1,120	+20	1,120	675	—	—
Sekisui	1,430	+30	1,500	926	1.3	—
Settsu	431	−1	569	300	1.2	—
7ElEav	8,380	−80	9,200	6,054	—	—
Sharp	1,730	−20	1,780	928	—	—
ShikEP	2,830	+30	3,220	2,150	—	—
Shimiz	930	+10	1,030	715	—	—

AUSTRALIA (Mar 1 / Aust$)

[illegible]

PosBid	3.40	+.10	5.10	1.47	2.9	—
QBE In	5.82	−.03	6.96	3.75	3.7	—
QCT Rs	1.30	−.02	1.81	1.05	7.7	—
RnenSd	6.05	+	6.25	2.65	0.5	—
Rothmn	6.75	+.05	7.70	5.15	5.6	7.7
Santos	4.04	+.09	4.52	2.60	5.4	9.4
SmithHw	6.79	+.09	7.10	5.06	4.1	—
SonGwe	9.30	+.05	9.74	4.15	5.4	—
Sthc'p	3.55	+.05	3.90	2.94	—	—
Stckld	3.40	—	3.70	2.83	7.0	24.3
TNT	2.19	−.05	2.52	0.68	—	—
TelCpN	4.21	—	4.21	1.69	3.7	—
Wstmr	9.50	+.10	9.75	5.50	3.1	—

HONG KONG (Mar 1 / H.K.$)

[illegible]

MALAYSIA (Mar 1 / MYR)

[illegible]

SINGAPORE (Mar 1 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Mar 1 / Can $)

4 pm close

[illegible]

MONTREAL (Mar 1 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Mar 1 / Rand)

[illegible]

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, March 1, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	12.4m	354	+2	Toshiba	7.3m	780	+7
Sanyo Elec	11.4m	488		Fuji Heavy	6.3m	385	+22
Hitachi	10.7m	957	+7	Bridgestone	5.7m	1,560	+50
Kawasaki Steel	10.2m	365	+5	Nomura Sec	5.4m	2,390	+10
Mitsubishi Hvy	9.2m	715	+8	Mitsubishi Elec	4.9m	600	+3

INDICES

[illegible]

SBC General (1/4/87)	997.83	1007.61	1023.03	1083.28	31/1/94	878.70	11/1/93
Taiwan							
WeightedPr.(30/6/66)**	5452.44	5414.64	5586.58	6454.52	6/1/94	3098.43	9/1/93
Thailand							
Bangkok SET (30/4/75)	1375.97	1372.93	(c)	1753.73	4/1/94	818.64	1/6/93
Turkey							
Istanbul Comp.(Jan 1986)	14603.2	15003.5	16198.5	20883.80	13/1/94	3665.53	1/1/93
WORLD							
MS Capital Int (1/1/70)$	625.0*	627.8	622.0	641.88	1/2/94	488.60	13/1/93
CROSS-BORDER							
Eurotrack 100(26/10/90)	1431.18	1456.43	1448.01	1540.19	31/1/94	1083.02	13/1/93
Euro Top-100 (26/6/90)	1224.20	1242.67	1234.48	1311.01	2/2/94	882.73	13/1/93
JCapelDrgns (31/12/88)	(u)	338.98	334.88	365.19	5/1/94	188.92	4/1/93
Barings Emerg.(7/1/92)	168.69	167.88	170.53	182.72	14/2/94	98.81	4/2/93

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Mar	2240.0	2185.0	-63.0	2242.0	2183.0	32,207	56,468
Apr	2250.0	2196.0	-63.0	2252.0	2197.0	266	1,575
Jun	2235.0	2182.0	-64.5	2235.0	2184.0	118	3,273

Open Interest figures for previous day.

[illegible] Base values of all indices are 100 except Australia All Ordinary and [illegible], Euro Top-100, ISEQ Overall; Toronto Comp./Metals & [illegible] JSE All Common – 50 and Standard and Poor's – 10. 55 [illegible] Mar 1 - 2058.81 –46.63

US INDICES

Dow Jones	Feb 28	Feb 25	Feb 24	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3832.02	3838.78	3839.90	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	103.63	103.88	103.74	109.77 (18/10/93)	103.48 (11/1/93)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1762.31	1762.99	1763.20	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	210.45	208.41	207.29	256.46 (31/8/93)	207.29 (24/2/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3874.52 (3868.86) Low 3817.85 (3811.76) (Theoretical ♦)
Day's high 3852.28 (3856.10) Low 3832.02 (3826.88) (Actual ♦)

Standard and Poors	Feb 28	Feb 25	Feb 24	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	467.14	466.06	464.26	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	548.68	545.38	543.79	560.59 (2/2/94)	496.46 (26/4/93)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	43.91	43.92	43.56	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	259.23	258.57	257.75	267.71 (2/2/94)	238.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	471.34	467.45	465.58	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	782.50	783.78	779.44	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Feb 25	Feb 18	Feb 11	Year ago
Dow Jones Ind. Div. Yield	2.62	2.59	2.58	3.02
	Feb 23	Feb 16	Feb 9	Year ago
S & P Ind. Div. yield	2.36	2.34	2.35	2.55
S & P Ind. P/E ratio	26.09	26.18	26.07	26.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	466.15	466.05	-0.10	466.65	465.60	84,207	168,127
Jun	-	-	-	-	-	-	-
Sep	-	-	-	-	-	-	-

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
RJR Nabisco	5,459,700	6⅝	-⅛
Philip Morris	4,264,600	56	-2
K-Mart	2,947,600	18⅛	+⅛
Syntex	2,828,900	15½	+⅜
Telefonos	2,779,500	67	-1⅛
Merck	2,736,400	32¼	+⅛
Zenith	2,586,100	13⅛	+½
Gen Motors	2,170,600	58¼	—
Blockbuster	2,099,000	26½	+⅛
Fed Dept Strs	1,999,600	23⅞	-½

■ TRADING ACTIVITY

● Volume (million)

	Feb 28	Feb 25	Feb 24
New York SE	268.137	273.218	341.615
Amex	18.449	273.218	18.214
NASDAQ	(u)	285.648	348.951
NYSE			
Issues Traded	2,752	2,748	2,773
Rises	1,449	1,163	436
Falls	731	934	1,820
Unchanged	572	651	517
New Highs	87	48	38
New Lows	49	75	151

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close March 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
18 5/8	11 1/2	AAR	0.48	3.0	537	344	16 1/8	15 7/8	16 1/8	+1/4
29 3/8	12 3/4	A L Labs A	0.78	1.2	35	208	15 3/4	15 1/8	15 3/4	
67 1/4	54 5/8	AMP	1.66	2.6	22	2583	63 7/8	63 1/8	63 7/8	+3/8
72 3/4	55 1/2	AMR			30	11082	63	61	62	-1 1/4
5	1 3/4	ARX			15	245	4 1/2	4 3/8	4 3/8	-1/8
56 1/8	29 7/8	ASA	2.00	4.4	30	934	46 7/8	45 3/8	45 1/2	-1
30 3/4	22 5/8	AbbotL	0.76	2.7	16	8597	28	27 3/8	27 7/8	+1/4
13 3/8	8 1/4	Abitibi Pr	0.50	4.0	8	39	12 5/8	12 3/8	12 5/8	+3/8
16 5/8	8 3/4	Acptncein			22	89	12 1/8	11 5/8	12 1/8	+1/8
36	25 1/2	ACE Ltd	0.40	1.5	4	1606	27 3/4	26 7/8	27	-5/8
12 5/8	10 3/4	ACM Gvt In x	1.09	9.3		638	12 1/8	11 3/4	11 3/4	-3/8
10 1/8	8 3/4	ACM GvOpp x	0.80	9.0		36	8 7/8	d8 3/4	8 7/8	
10 5/8	8 3/4	ACM Gvt Sc x	0.86	10.0		783	9 7/8	9 1/2	9 5/8	-1/4
12 3/4	10 1/2	ACM Gvt Sa x	1.09	10.2		888	11 1/4	10 3/4	10 3/4	-3/8
12 3/4	9 5/8	ACM Man x	1.08	9.8		148	11 1/8	10 7/8	11	-1/8
9 3/8	8 5/8	ACM Mangd x	0.72	8.1		132	8 7/8	8 3/4	8 7/8	
12 3/8	7 3/4	AcmeClv	0.44	4.7	11	38	9 1/2	9 3/8	9 3/8	
11 3/8	6 3/8	Acme Elect			35	38	8 1/8	8	8 1/8	
27 5/8	18 3/8	Acordia	0.60	2.2	13	50	27 1/4	27	27 1/4	+1/4
9 3/4	8 5/8	Actava	0.36	4.2	17	101	8 5/8	8 3/8	8 1/2	-1/8
16	10 3/8	Acuson			92	245	12 1/8	11 3/4	12	+1/8
21 3/4	17 5/8	Adams Expr	0.36	2.0	0	696	17 3/4	d17 5/8	17 3/4	
66 1/4	45 1/2	Ad Micro	3.00	6.0		72	50 1/2	50 3/8	50 3/8	-1/8
32 3/4	18 3/4	AdvMkc	3.00	13.8	9	3339	21 3/4	21 3/8	21 3/4	+3/4
8 1/8	5 1/2	Advest Grp	0.16	2.4	10	72	6 5/8	6 1/2	6 5/8	
24 3/4	14 1/4	Advo Inc	0.10	0.5	129	5585	19 3/4	19 1/4	19 3/8	-5/8
58 1/2	41 1/8	Aegon ADR	1.23	2.4	11	16	52	51 3/4	52	-3/8
68 1/4	43 3/8	AetnaL	2.76	4.6	11	3809	60 3/4	60 1/8	60 3/8	+3/8

Continued on next page

4 pm close March 1

NYSE COMPOSITE PRICES

Continued from previous page

1993/94 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
24¼	19⅛	SnyIG	0.38	2.3	8	253	15¾	15⅜	15⅜	-¼
24¾	10⅞	Safeway			24	1753	u24⅞	24⅝	24⅝	-⅛
5¾	2	SafewayW98				104	5¾	5¾	5¾	
55½	37½	StJoePaper	0.20	0.4	281	58	53⅞	53⅜	53½	-⅛
37⅞	28	StJosLP	1.80	6.2	14	2	29⅛	29⅛	29⅛	-⅛
88	75	StPaul	3.08	3.8	8	288	82⅞	82	82¼	-⅞
11⅞	6⅛	Salant Cp			10	114	8	7¾	8	
75¾	39⅞	Sallie Mae x	1.40	3.1	9	1337	45⅞	44¾	44¾	-½
14⅜	12⅝	Salomon Br	0.34	2.5		1932	13⅞	13½	13½	
51⅞	34	Salomn	0.64	1.3	8	3840	49¾	49	49	-¼
27⅜	22⅜	SnDgGE	1.48	6.4	12	749	23	22⅞	23	
11⅞	8⅜	SantaFeERs	0.16	1.8	9	640	9¼	9⅛	9⅛	-⅛
40¾	35¾	SantaFePac	2.80	7.0	18	45	40	39⅝	39¾	-⅛
26¼	12¼	SantFeP	0.10	0.4	12	1440	22⅞	22½	22½	-¼
31⅛	21	SaraLee x	0.64	2.9	15	7236	22⅝	21⅞	22⅛	-¼
52¼	40⅛	Scana Corp	2.82	6.2	12	46	46	45⅝	45¾	-⅛
25⅜	17¾	Scecorp x	1.42	7.9	12	2139	18⅛	d17¾	17⅞	-⅛
40½	23⅞	ScheringP			29	825	39	38¾	38¾	+¼
71	51¾	SchlPl	1.80	3.0	14	2873	60⅛	59⅛	59⅞	-⅞
68⅞	54⅝	Schlmb	1.20	2.1	23	4582	57⅞	56⅞	56⅞	
38⅞	16½	SchwabC	0.28	1.0	13	606	27⅞	27½	27½	
9⅝	5⅝	Schwitzer			25	22	9⅛	9	9	-⅛
38⅞	17¾	SciAtl	0.12	0.4	53	1574	27½	26¾	26¾	-¾
16⅞	9⅛	Scotsman	0.10	0.7	13	17	14½	14½	14½	-¼
46¾	31	ScottP	0.80	1.8	11	887	45½	44⅞	45⅛	-¼
28⅝	14¼	ScudrNAsF	0.27	1.1		78	23⅞	23½	23⅝	-⅝
12⅝	7½	ScudrNEuF	0.18	1.4		104	11⅞	11⅝	11⅝	-⅜
31½	16¾	SeaCnB	0.70	4.0	8	29	17⅝	16⅞	17⅜	+⅜
17	15	SeaC1.4625	1.46	9.2		5	15⅞	15¾	15⅞	+⅛
31	24½	Seagrm	0.58	2.0	38	4586	28⅝	28	28¼	-¼
32⅞	15	Seagull En			32	1513	24⅞	24⅜	24⅜	-½
32	21	Sealed Air			22	73	29¾	29⅛	29¾	+⅜
60⅛	42⅝	SearsR x	1.60	3.5	7	7467	46¼	45⅝	46	+⅝
13¾	12⅝	Seligm Sel	0.84	6.6		32	13⅛	13	13	
37⅞	20	Sensormat	0.22	0.6	37	1023	36½	36	36¼	-⅛
39¾	18	SequaA	0.60	1.6	7	7	36½	36½	36½	-⅛
40¼	17¾	SequaB	0.50	1.4	19	z100	36	36	36	

Price data supplied by Telekurs

NASDAQ NATIONAL MARKET

4 pm close March 1

AMEX COMPOSITE PRICES

4 pm close March 1

AMERICA

Inflation fears prompt sharp fall in Dow

Wall Street

US share prices fell across the board in heavy trading yesterday morning in the wake of a sharp decline in bond prices that was inspired by fears of rising inflation, *writes Patrick Harverson in New York.*

By 1 pm, the Dow Jones Industrial Average was down 36.02 at 3,796.00, slightly off its lows for the day. The more broadly based Standard & Poor's 500 index was also lower at the halfway mark, down 3.69 at 463.45, while the American Stock Exchange composite was off 2.51 at 468.83 and the Nasdaq composite down 7.18 at 785.32. Trading volume was 172m shares by 1 pm, and declines outpaced rises by 1432 to 545.

The day's first big economic news – an upward revision of the fourth quarter gross domestic product from 5.9 per cent growth to 7.5 per cent growth – had little impact on prices. Although this was ostensibly good news for stocks, analysts warn that these rates of growth will not be sustained in coming quarters. Also, investors are nervous at any sign of excessive economic expansion because it might prompt the Federal Reserve into raising interest rates again.

Soon after 10am, however, prices turned decisively lower. The heavy selling was prompted by a sudden and sharp decline in bond prices. The sell-off in the bond market, which pushed the yield on the benchmark 30-year bond up to 6.73 per cent, followed the publication of the National Association of Purchasing Management's February report, and in particular, the announcement that the NAPM's index of prices rose sharply last month to its highest level since October 1990.

Like their counterparts in the equities market, bond investors are worried that the Fed will tighten monetary policy again soon. Yesterday's prices data from the NAPM, said analysts, brought the likelihood of another rate rise nearer. This thinking, plus the fact that the stock market rarely likes to see bond yields rising, was behind the declines in share prices. Additionally, traders said several computerised sell programs executed during the morning exaggerated the market's downward trend.

Among individual stocks, interest rate-sensitive stocks were lower as a group. Among banks, Citicorp fell $⅝ to $40⅞, Chase Manhattan gave up $⅝ at $32, BankAmerica slipped $¼ to $42⅞ and Wells Fargo fell $1⅛ to $136⅞. Brokerage stocks were also weaker, with Morgan Stanley off $⅞ at $65⅞, Merrill Lynch eased $¼ to $40⅞ and Salomon fell $⅝ to $49¼. Federal National Mortgage Association, which has benefited greatly from falling interest rates, was another notable victim, falling $1 to $83⅞.

Digital Equipment bucked the wider trend, rising $1⅞ to $30⅞ in volume of 2m shares after broking house Salomon Brothers was reported to have upgraded its rating on the stock from "hold" to "buy".

On the Nasdaq market, Snapple fell $1⅞ to $27⅞ after Coca-Cola launched a new range of soft drinks under the label "Fruitopia" that is clearly aimed at competing with Snapple's own hugely successful brands.

Canada

Toronto stocks extended earlier losses at midday as worries over higher interest rates fears continued to weigh on financial markets.

Canadian bonds remained weak along with US treasuries at noon following economic data which spurred inflation fears. The TSE 300 composite index fell 30.95 to 4,392.89 on volume of 35.40m shares for a total value of C$432.09m.

EUROPE

Continental bourses affected by news from US

Late closing markets were affected by negative US data which suggested that inflation was rising, *writes Our Markets Staff.*

FRANKFURT fell back after Monday's positive start to the week as equities were again battered by nervousness in the bund market.

The Dax index closed the official session down 24.52 or 1.2 per cent at 2,067.05, and extended that loss in the post-bourse session, falling a further 46.00 to 2,057.20, as disappointing US data began to make itself felt.

The Bundesbank's easing of the repo rate to under 6 per cent did little to excite enthusiasm, coming within most expectations.

Of greater concern to the equity market is unrest among public sector workers, with IG Metall engineering union members due to ballot on strike action.

Among the day's heavy losers Daimler-Benz shed DM18 or 2 per cent to DM795 and then to DM792.50 in the after market.

PARIS retreated sharply at the close as worries about the implications arising from the release of US data took hold. The CAC-40 index, which had fallen to a session low of 2,176.46, closed off 54.94 or 2.4 per cent at 2,183.12.

Turnover was FFr5bn.

Among the worst fallers Euro Disney shed FFr1.30 or 3.7 per cent to FFr33.50, Thomson-CSf FFr11.50 or 5.8 per cent to FFr186.00 and L'Oreal FFr43 or 3.3 per cent to FFr1,242.

ZURICH, mixed early in the day, turned lower after the release of the US GDP data, leaving the SMI index down 40.8 at 2,847.4, taking the cumulative two day decline to 2.8 per cent.

UBS bearers, downgraded by a number of analysts after last Friday's results, fell SFr44 to SFr1,320, taking the cumulative three day decline to 9 per cent.

CS Holding were steadier after Monday's 5.3 per cent fall, losing SFr3 to SFr635. SBC added SFr4 to SFr454: some analysts have recommended switching into the stock.

Blue chips were marked down on profit-taking by foreigners, also taking the opportunity to bank currency gains.

Nestlé shed SFr23 to SFr1,260 and Roche certificates fell SFr100 to SFr6,900.

MILAN was dragged lower by weakness in bonds and the lira and the Comit index shed 8.96 to 649.24, with the market also inhibited by the political outlook in the run up to the elections on March 27-28.

Trading was halted for almost three hours due to technical problems, but volume was so low that the bourse hours were not extended.

BCI shed L34 to L6,026 amid expectations that the privatisation would be completed.

Foreign favourites were left lower on profit-taking. Fiat shed L59 to L4,692 and Pirelli shed L88 to 2,061. Among the telecommunications issues, Sip shed L101 to L4,047 and Stet was L123 lower at L4438.

AMSTERDAM was buffeted by worries elsewhere on the continent and overseas and the AEX index lost 4.81 or 1 per cent to 415.94.

There were steep falls among the heavily capitalised issues, with Unilever, for instance, losing Fl 2.00 to Fl 213.90.

Pakhoed, the transport group, which announced that it was to issue 2.6m new shares, fell 70 cents to Fl 54.50.

MADRID fell 2 per cent in line with weaker bond markets which were pushed lower by disappointment with the Bundesbank's smaller than expected repo rate cut, the US data and sales by foreign investors.

The general index shed 6.78 or 2 per cent to 332.68 in nervous trading.

Téléfonica tumbled Pta85 or 4.3 per cent to Pta1,890 in volume of 6m shares after news that it was paying $2bn for Ental-Peru and CPT-Peru.

BRUSSELS saw losses in the bank and insurance sector despite an interest rate cut by the central bank.

The Bel-20 index closed up 1.10 at 1,516.90 in turnover of BFr1.9bn.

Nonetheless, Arbed, the Luxembourg steel manufacturer, went against the trend, rising BFr300 or 7.3 per cent to BFr4,400.

Among insurers Groupe AG lost BFr45 to BFr2,880.

COPENHAGEN's KFX index retreated 1.27 to 112.04 with banks affected by a steep fall in Den Danske Bank, off DKr4 at DKr395.

In contrast Unidanmark, the country's second largest bank, bucked the trend, climbing DKr3 to DKr258, helped by news that its new share issue of 6m A shares had been oversubscribed.

STOCKHOLM's Affärsvärlden index lost 16.4 to 1,522.5.

ISTANBUL lost a further 2.67 per cent despite a wave of selective buying in the session.

The composite index ended down 400.34 at 14,603.25, bringing the losses over the week so far to 9.85 per cent.

The Turkish lira lost more than 6 per cent against the dollar, standing at TL21,500 in the afternoon.

The most active shares were iron and steel group Eregli, down TL50 to TL3,550 and glassware producer Turkish Sise Cam Fabrikalari, down TL175 to TL1,775.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Mar 1 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1447.24	1446.85	1447.91	1441.94	1434.70	1432.83	1435.39	1431.18
FT-SE Eurotrack 200	1506.24	1505.24	1506.54	1501.75	1496.54	1495.19	1496.51	1489.07

	Feb 28	Feb 25	Feb 24	Feb 23	Feb 22
FT-SE Eurotrack 100	1456.43	1448.01	1458.74	1489.10	1476.28
FT-SE Eurotrack 200	1512.74	1493.35	1509.51	1537.95	1530.12

Base value 1000 (26/10/90). Highday: 100 - 1448.08; 200 - 1506.84 Lowday: 100 - 1430.60 200 - 1486.52

ASIA PACIFIC

Economic hopes help Nikkei close above 20,000 level

Tokyo

The stable yen and hopes of a bottoming out of the economy supported investor confidence, and the Nikkei 225 average closed above the 20,000 level for the first time since February 8, *writes Emiko Terazono in Tokyo.*

The index gained 219.42, or 1.1 per cent, at 20,216.62 on active buying by foreign investors. It opened at the day's low of 20,052.61 and peaked at 20,240.92 during the morning.

Investors were encouraged by better than expected industrial output figures and labour statistics announced on Monday. However, the tankan, the Bank of Japan's quarterly survey of business sentiment, announced yesterday had little impact on stock prices since it showed that sentiment among manufacturers was little changed from the previous report.

Large-lot profit-taking around the 20,000 level by institutional investors in the afternoon prevented the Nikkei 225 from rising further, in spite of active overseas buying. The recent decline in the bond market also prompted a shift into the stock market by foreign fund managers.

Volume was 500m shares, against 467m. The Topix index of all first section stocks advanced 13.77 to 1,645.48, while the Nikkei 300 added 2.02 at 304.25. Rises led falls by 780 to 269, with 140 issues unchanged. But in London the ISE/Nikkei 50 index eased 1.93 to 1,365.73.

Nippon Telegraph and Telephone rose Y3,000 to Y979,000 in spite of reports that it will not request a previously expected rise in local call rates for the next fiscal year, but instead plans to raise its core service rate, which would have a smaller effect on profits.

A strong rise in housing starts figures for January released on Monday supported housing shares. Misawa Homes climbed Y40 to Y1,150 and Daiwa House Y40 to Y1,700.

Foreign investors bought steel issues. Nippon Steel, the most active issue of the day, gained Y2 at Y354.

Stocks previously higher on the multimedia theme, encountered profit-taking. NEC receded Y10 to Y1,040. Some banking issues were easier on corporate selling.

In Osaka, the OSE average rose 185.08 to 22,323.96 in volume of 160m shares, the eighth consecutive advance.

Roundup

The region was mixed yesterday. Seoul was closed for a national holiday.

HONG KONG fell 2.5 per cent, undermined by a slide in banking stocks and worries that prices fetched at a government land auction were too high. The Hang Seng index shed 261.87 to 10,148.36.

Heavy profit-taking from the opening in Hang Seng Bank and its parent HSBC Holdings pulled the index down, following the two groups' results on Monday. HSBC dropped HK$7 to HK$107 and Hang Seng Bank HK$8 to HK$61.50.

The market fall gathered momentum in late trade on news that a residential development site in the tourist district of Kowloon had sold for HK$2.26bn, far exceeding forecasts of HK$1.5bn to HK$1.7bn.

This prompted concern that Hong Kong's high property prices, which are propping up the stock market, might lead developers to raise funds through the equity market with rights offers, which could eventually depress share prices.

Blue chip properties fell. SHK Properties slid HK$1.50 to HK$57.50 and Cheung Kong 75 cents to HK$43.75.

SINGAPORE was dragged down by the worries in Hong Kong and concern over the outlook for higher US interest rates. The Straits Times Industrial index shed 29.04, or 1.2 per cent, to 2,313.68.

MANILA dropped 3.7 per cent to its lowest point this year, closing below the 2,850 support level as investors sold heavily in anticipation of a further decline. The composite index lost 105.96 at 2,755.65.

The decline was also attributed to a shift to fixed-income instruments by most foreign investors, following an increase in US interest rates.

KUALA LUMPUR saw some bargain hunting which lifted shares off the day's lows after news that the central bank would not introduce fresh measures to choke off local currency speculation.

Recent speculation about new liquidity-mopping measures, including a rise in the statutory reserve requirement of financial institutions, had been affecting market sentiment. The composite index ended 12.22 down at 1,113.41.

TAIWAN gained on a technical rebound after four days of declines, but sentiment remained cautious. The weighted index improved 37.80 to 5,452.44.

AUSTRALIA clawed back futures-led losses but brokers said sentiment remained nervous. The All Ordinaries index finished 1.6 up at 2,181.7.

On the Sydney futures market the March Index finished down 12 at 2,174.0.

NEW ZEALAND put in another impressive performance as the NZSE-40 capital index rose 25.80 to 2,270.20.

KARACHI broke the 2,500 barrier for the first time, the KSE-100 index moving ahead 43.52 to 2,505.24.

After the close the central bank cut the discount rate to 15 per cent from 17 per cent and the maximum lending rate to 19 per cent from 22 per cent.

BOMBAY eased in low volume as investors digested the implications of Monday's budget. The BSE index lost 136.05, or 3.1 per cent, at 4,150.15.

Brazil sees a 5% rise at midsession, Mexico down

Brazil

Brazilian equities remained 5 per cent ahead in midday trading on continued optimism over the creation of a new single price index.

The Bovespa index was up 527 at 11,066 in São Paulo.

Traders said that blue chips gained liquidity in late morning trading after a few foreign investors returned to the market.

Midday volume was Cr171bn.

Telebras, the telecom group, was up 5.3 per cent at Cr31.70.

Oil group Petrobras was 11.2 per cent higher at Cr119.

● Brazil's central bank will use the newly created single price index, Real Value Unit, as a parameter for its interventions in the foreign exchange market, *Reuter reports from São Paulo.*

The bank said it will sell US dollars in the commercial and the interbank domestic forex markets at the URV price of the day the deal takes place.

The rate at which the central bank will buy dollars in the market will be set freely between market players and the monetary authority. The deals will be settled two days after the transaction takes place.

The URV's value will be set daily, based on the average of three inflation indices which measure the depreciation of the cruzeiro real and expressed in dollars.

Mexico

Mexican stocks were down sharply at mid-morning, hit by fears of a rise in domestic interest rates and a steep fall on Wall Street.

The IPC index was off 41.13, or 1.59 per cent, at 2,544.31. A total of 23.8m shares were traded.

The ADRs of Telmex in New York fell $1⅞ to $65⅞, while in the local market the L shares slid 2.78 per cent.

In the broader market 49 issues changed hands, with declines topping advances by 30 to 4.

● On Monday, stocks fell back as investors worried that domestic interest rates may head back up at today's weekly auction. The IPC index retreated 10.95 to 2,585.44 in volume of 55.2m shares. The day's biggest decline was Invex, which dropped 4.65 per cent.

Johannesburg boosted as Mandela meets Buthelezi

Johannesburg was given a boost during afternoon trading by the apparently congenial talks in Durban between Mr Nelson Mandela, the African National Congress president, and Chief Mangosuthu Buthelezi, the Inkatha Freedom Party leader.

Chief Buthelezi said the talks had been "going well", in spite of an earlier vow that his party's boycott of the April election was not on the agenda for the meeting.

The market was provided with a further boost as the gold price traded above $380 an ounce. The golds index rallied from an initial fall to end 9 off at 1,986, industrials added 5 at 5,614 and the overall index put on 34 at 4,880.

Golds had been depressed by the stronger commercial rand which was seen as dampening export earnings of the mines.

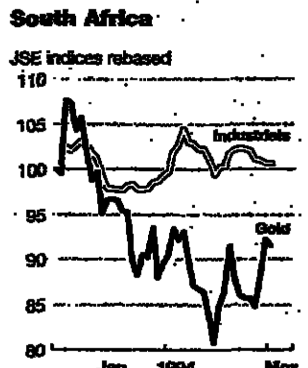
Anglos proved the most buoyant issue in the wake of the rising political hopes, appreciating R7 to R204.

Among the gold shares, Vaal Reefs lost R1.50 to R430.50 and Driefontein was off 25 cents at R55.25.

De Beers, the diamond giant, advanced R2 to R105.00 ahead of the release of the group's interim results, which are expected next week.

SA Breweries was unchanged at R82.50, while Remgro put on 25 cents at R31.25 and Sasol, the oil-from-coal producer, was up 50 cents at R22.50 in response to its 17 per cent increase in net income for the six months ending December.

In industrial shares, Barlow Rand was down 25 cents to R27.75. Iscor posted a strong 10 per cent bounce to R2.70 in a resumption of its recent upward trend and Gencor rose 35 cents to R8.90.



Source: Datastream

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	MONDAY FEBRUARY 28 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY FEBRUARY 25 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	175.35	0.5	174.94	115.44	155.60	163.63	1.6	3.26	174.52	173.61	115.53	154.75	161.09	189.15	130.19	131.13
Austria (17)	187.95	-0.4	187.50	123.73	166.78	167.28	-0.1	0.95	188.70	187.71	124.91	167.31	167.41	195.41	139.63	146.54
Belgium (42)	168.08	0.9	167.68	110.65	149.15	145.65	0.9	3.95	166.64	165.77	110.31	147.76	144.33	169.08	140.99	140.99
Canada (107)	135.72	1.3	135.39	89.35	120.43	132.89	1.5	2.54	133.94	133.24	88.66	118.76	130.98	145.31	119.10	119.92
Denmark (33)	269.34	0.2	268.70	177.32	239.00	244.83	0.1	0.95	268.91	267.51	178.01	238.43	244.47	275.79	195.68	201.17
Finland (22)	147.31	0.3	146.96	96.98	130.72	171.02	0.3	0.65	146.90	146.14	97.25	130.25	170.51	156.72	70.02	71.31
France (99)	179.05	1.5	178.63	117.88	158.88	162.99	1.5	2.85	176.33	175.41	116.73	156.35	160.54	185.37	149.60	157.45
Germany (59)	132.46	0.6	132.17	87.22	117.56	117.56	0.6	1.80	131.75	131.06	87.22	116.82	116.82	142.38	107.59	112.78
Hong Kong (56)	419.10	3.2	418.11	275.91	371.90	415.73	3.1	2.55	406.05	403.93	268.80	360.04	403.13	508.56	233.84	256.34
Ireland (14)	190.80	0.6	190.35	125.61	169.31	188.11	0.6	3.10	189.63	188.65	125.53	168.14	186.90	209.33	135.70	135.70
Italy (69)	73.95	-0.4	73.77	48.68	65.62	93.16	0.1	1.81	74.25	73.87	49.15	65.84	93.09	78.93	55.21	60.43
Japan (469)	157.33	2.0	156.96	103.57	139.61	103.57	1.4	0.78	154.23	153.43	102.10	136.76	102.10	165.91	107.97	109.27
Malaysia (69)	535.12	0.4	533.86	352.30	474.86	562.02	0.4	1.30	533.07	530.30	352.89	472.67	559.76	621.63	274.40	274.77
Mexico (18)	2312.62	0.4	2307.14	1522.50	2052.14	8078.55	0.1	0.62	2303.60	2291.58	1524.83	2042.52	8072.22	2647.08	1410.30	1410.30
Netherland (26)	201.72	1.4	201.24	132.80	179.00	176.52	1.4	3.02	198.99	197.95	131.73	176.44	174.01	207.43	160.00	160.00
New Zealand (14)	71.20	1.8	71.03	46.87	63.18	65.69	2.1	3.54	69.94	69.57	46.30	62.01	64.35	77.59	44.75	44.75
Norway (23)	206.42	1.1	205.93	135.89	183.17	207.46	1.1	1.50	204.24	203.18	135.20	181.09	205.25	206.42	138.63	138.63
Singapore (45)	344.53	-1.0	343.71	226.82	305.73	251.01	-1.1	1.61	348.01	346.20	230.38	308.57	253.79	378.92	213.57	222.29
South Africa (60)	240.23	1.2	239.66	158.15	213.17	247.44	1.3	2.34	237.27	236.03	157.07	210.38	244.26	280.28	160.78	167.49
Spain (42)	148.08	1.1	147.73	97.49	131.40	156.06	1.0	3.76	146.42	145.66	96.93	129.83	154.46	155.79	116.33	125.23
Sweden (36)	219.69	-0.1	219.17	144.63	194.95	259.72	-0.1	1.38	219.86	218.72	145.55	194.95	260.09	230.02	154.79	159.01
Switzerland (49)	163.97	-1.4	163.58	107.95	145.50	145.18	-1.3	1.53	166.29	165.42	110.08	147.44	147.11	176.56	110.58	110.58
United Kingdom (215)	202.71	1.1	202.23	133.46	179.89	202.23	1.4	3.58	200.49	199.45	132.72	177.78	199.45	214.96	164.43	164.43
USA (518)	190.05	0.2	189.60	125.12	168.65	190.05	0.2	2.77	189.66	188.69	125.56	168.16	189.66	196.04	176.91	181.08
EUROPE (745)	170.72	0.7	170.32	112.39	151.49	163.64	0.9	2.78	169.51	168.62	112.21	150.30	162.22	178.58	137.56	137.66
Nordic (113)	212.95	0.1	212.44	140.19	188.96	219.07	0.1	1.18	212.72	211.61	140.82	188.61	218.91	220.60	145.85	147.78
Pacific Basin (722)	167.46	1.9	167.06	110.25	148.60	114.98	1.5	1.05	164.30	163.45	108.77	145.69	113.29	168.80	113.35	114.86
Euro-Pacific (1467)	168.66	1.4	168.26	111.04	149.66	134.06	1.2	1.78	166.32	165.45	110.10	147.47	132.44	170.78	124.03	124.03
North America (625)	186.68	0.2	186.24	122.90	165.65	186.11	0.2	2.76	186.22	185.25	123.27	165.11	185.63	192.73	173.70	177.30
Europe Ex. UK (530)	150.19	0.5	149.84	98.88	133.28	140.90	0.6	2.28	149.48	148.70	98.95	132.54	140.14	155.73	120.02	120.49
Pacific Ex. Japan (253)	265.99	1.5	265.38	175.12	236.04	244.11	1.8	2.48	262.14	260.78	173.53	232.44	239.90	298.21	164.34	169.53
World Ex. US (1652)	169.85	1.4	169.45	111.82	150.72	137.20	1.2	1.79	167.52	166.65	110.90	148.54	135.55	172.51	125.12	125.12
World Ex. UK (1955)	172.93	0.9	172.52	113.84	153.45	149.12	0.8	1.99	171.31	170.42	113.40	151.89	147.95	175.58	140.70	140.97
World Ex. So. Af. (2110)	175.19	1.0	174.77	115.33	155.46	153.01	0.8	2.14	173.53	172.63	114.87	153.86	151.73	178.56	142.96	142.96
World Ex. Japan (1701)	187.21	0.5	186.77	123.25	166.13	183.13	0.6	2.71	186.23	185.26	123.28	165.12	182.03	195.20	162.22	162.22
The World Index (2170)	175.54	1.0	175.12	115.57	155.77	153.78	0.8	2.14	173.87	172.97	115.10	154.17	152.46	178.97	143.02	143.03